



State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

Date: February 12, 2016

To: HSDA Members

From: Melanie M. Hill, Executive Director

Re: CONSENT CALENDAR JUSTIFICATION

Diagnostics Radiology Consultants, d/b/a Tennessee Imaging and Vein Center, Chattanooga (Hamilton County), TN – CN1512-058

For the relocation of the existing MRI service approved in Tri-County Radiology, CN9902-013AM from 1949 Gunbarrel Road in Chattanooga (Hamilton County), TN, to leased space in a new 2-story building at 1604 Gunbarrel Road in Chattanooga, a distance of approximately one mile. As part of the project, the applicant is requesting approval to establish an Outpatient Diagnostic Center and replace its existing 1.5 Tesla MRI unit with an upgraded 3.0 Tesla unit manufactured in 2010. The estimated project cost is \$5,639,646.

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need. If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the review cycle, it was not opposed. If the application is opposed prior to being heard, it will move to the bottom of the regular February agenda and the applicant will make a full presentation.

Summary—

The applicant, Diagnostic Radiology Consultants, is a physician owned and controlled radiology practice that provides outpatient diagnostic services including MRI, ultrasound, mammography, CT, x-ray, nuclear CT and bone densitometry under its assumed name Tennessee Imaging and Vein Center (TIVC).

Its current lease is set to expire and it would like to relocate its practice and its diagnostic services to a more convenient location. TIVC is seeking to relocate its existing MRI service a distance of approximately one mile and establish an Outpatient Diagnostic Center (ODC) with MRI. As part of the project, the MRI will be upgraded from a 1.5 T MRI to a 3.0 and the CT and mammography equipment will also be upgraded. The applicant expects the new facility to be operational by September 2016.

Executive Director Justification -

Need- The need to relocate the MRI service is justified because the physician practice is relocating to a larger, more efficient space that will better accommodate the physician practice. The conversion of the other diagnostic services to an ODC will not add any new diagnostic services to the area. The new location will provide improved access for their patients. The new state of the art replacement equipment will provide sufficient capacity for the future growth.

Economic Feasibility- The project will be funded by operating revenue and cash reserves of the practice. The applicant's existing imaging has been historically profitable-Net Operating Income was 10.9% of gross operating revenue in 2014 and is expected to reach 16.2% in Year 1 of the project.

Contribution to the Orderly Development of Health Care- The project does contribute to the orderly development of health care since these services were previously utilized as part of a physician practice and now are being converted to an ODC. The ODC will participate in Medicare and all TennCare MCOs in the service area. The new location will provide more visible access to these services. Since a 2nd MRI is not being added, there is no duplication of services.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR

- (1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY
FEBRUARY 24, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Diagnostic Radiology Consultants dba Tennessee Imaging and Vein Center

PROJECT NUMBER: CN1512-058

ADDRESS: 1604 Gunbarrel Road
Chattanooga (Hamilton County), TN 37421

LEGAL OWNER: Diagnostic Radiology Consultants, P.A.
1949 Gunbarrel Road, Suite 170
Chattanooga (Hamilton County), TN 37421

OPERATING ENTITY: NA

CONTACT PERSON: James Catanzaro, Jr. Attorney

DATE FILED: December 11, 2015

PROJECT COST: \$5,639,646

FINANCING: Facility Lease and Cash Reserves

PURPOSE FOR FILING: Establishment of Outpatient Diagnostic Center and Relocation of MRI service

DESCRIPTION:

Diagnostic Radiology Consultants dba Tennessee Imaging and Vein Center (TIVC) a radiology physician group formed as Georgia for-profit corporation in August 1970, is seeking approval to establish an outpatient diagnostic center (ODC) and relocate its existing physician owned and controlled imaging center with magnetic resonance imaging (MRI) service approved in CN9608-057A from a multi-unit medical office building located at 1949 Gunbarrel Road, Suite 170, Chattanooga, TN to a new 10,659 square foot 2-story building being constructed on a 1.29 acre lot at 1604 Gunbarrel Road in Chattanooga, a distance of approximately 1 mile. The new building will be leased by the physician practice to house the proposed ODC with MRI service on the 1st floor and physician offices on the 2nd floor. As part of the project, the applicant will replace its existing 1.5 Tesla unit upgraded in 2002 with a Siemens Magnetom Verio 3.0 Tesla MRI unit manufactured in 2010 to be purchased

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at a cost of approximately \$1,052,000. The applicant will also upgrade/replace its existing Computed Tomography and Mammography imaging equipment. Other than the change in location and the applicant's request to establish an outpatient diagnostic center, the project will not add any new medical equipment or services requiring CON approval. The applicant expects the proposed ODC with replacement 3.0 Tesla Siemens MRI unit to be operational and open for public use in September 2016. This application has been placed under **CONSENT CALENDAR REVIEW** in accordance with TCA §68-11-1608(d) and Agency Rule 0720-10-.05.

CRITERIA AND STANDARDS REVIEW

MAGNETIC RESONANCE IMAGING SERVICES

There are no service specific criteria and standards that directly relate to the relocation of an MRI service.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

The proposal seeks approval to establish an ODC through the relocation of the applicant's existing multi-imaging center and MRI service approved in CN9608-057A to a new building less than 1 mile from the present location being constructed for exclusive occupancy and lease by TIVC. The project will not change the applicant's existing Hamilton County primary service area and other TN counties in its secondary service area including Bradley, Marion, Rhea and Sequatchie Counties.

Projected utilization 4 years into the future was developed based on the utilization of the applicant's existing MRI and other imaging services from 2012 up to September 2016 (TIVC's anticipated relocation date). For the MRI service, the applicant performed approximately 3,059 MRI procedures per year from 2012-2015 or approximately 105% of the 2,800 optimal utilization standard for MRI. The applicant estimates utilization of the replacement 3.0 Tesla unit to increase by approximately 10.5% from 2,989 MRI procedures in Year 1 (2016) of the project to 3,304 procedures in 2019.

Based on the utilization of the MRI and other imaging services at its existing imaging facility, the applicant meets this criterion.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

The applicant is not adding additional diagnostic services to the geographical service area that require Certificate of Need approval. TIVC's existing MRI service approved in CN9608-057A has exceeded the 2,880 utilization standard for the most recent 4 year period.

It appears that the application meets this criterion.

3. Any special needs and circumstances:

- a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The applicant states that the proposed ODC and the replacement 3.0 Tesla MRI unit will continue to provide MRI and other multiple imaging services in similar fashion to imaging services being provided at the medical group's current location. The replacement MRI unit at the new location of the proposed ODC is expected to improve patient access to a unique and advanced MRI technology with benefits to expanded clinical applications, improved image quality and accuracy.

It appears that the application will meet this criterion.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

The applicant notes the proposed ODC will be managed in accordance with accepted medical practice. The new location is one block or 0.3 miles from Erlanger East Hospital.

It appears that the applicant meets this criterion.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.

1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

The proposed ODC will have a radiologist on site supervising all clinical care at the facility whenever patients are receiving MRI services. As noted in Item 5 of Supplemental 1, TIVC anticipates obtaining a transfer agreement with Erlanger East Hospital, the closest hospital to the medical group's new location.

It appears that the application will meet this criterion.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states that services will be provided when medically necessary as documented by orders from referring physicians and compliant with any health insurance preauthorization requirements, if necessary.

It appears that the application will meet this criterion.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Diagnostic Radiology Consultants dba Tennessee Imaging and Vein Center (TIVC) a private physician practice organization, seeks approval to establish an outpatient diagnostic center (ODC) and relocate its existing imaging center with MRI service from its current location in a multi-use medical office building (Memorial Atrium Building) at 1949 Gunbarrel Road in Chattanooga to a new building being built exclusively for use by TIVC on a 1.29 acre at 1604 Gunbarrel Road, a distance of less than 1 mile. The MRI service was originally approved in CN9608-059A at the November 14, 1996 meeting of the former Health Facilities Commission. The applicant states that it plans on maintaining the same ownership structure, imaging services, staff, salaries, patient charges and service area at the proposed new location. The anticipated utilization of the applicant's existing imaging services, including MRI, ultrasound, mammography, CT, X-Ray, nuclear CT and bone densitometry is estimated at approximately 16,221 procedures in 2016. A breakout of the projected utilization by service is shown in the table on page 6 of Supplemental 1.

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As a radiology physician practice, the applicant's existing MRI service approved in CN9608-057A and TIVC's other imaging services do not require licensure by the Tennessee Department of Health (TDH). The applicant believes that conversion of its operations to an ODC in connection with the proposed relocation will achieve greater harmony with the current market environment and the business model of its affiliated businesses, including 2 ODCs operated in Chattanooga. The applicant anticipates initiating services of the proposed ODC in September 2016 following licensure by the Tennessee Department of Health.

History

- **1996** - Diagnostic Radiology Associates (dba TIVC) receives approval in CN9608-057A to initiate MRI services at 1949 Gunbarrel Road, Suite 310 in the Memorial Atrium Building.
- **2002** - TIVC acquires an upgraded 1.5 Tesla replacement MRI unit at a cost less than the CON threshold. TIVC relocates to Suite 170 in the same medical office building in order to accommodate installation of the replacement unit.

Ownership

- TIVC is a Georgia for-profit corporation formed in August 1970. The corporation has been registered with the Tennessee Secretary of State's since November 1996.
- TIVC is owned in equal shares by eight (8) physicians and is a stand-alone organization without subsidiary or parent organizations. The names of the physicians are provided on page 5 of the application.

Related highlights pertaining to the ownership of the applicant are as follows:

- TIVC shares common ownership with Digital Imaging of North Georgia, LLC which operates 2 ODCs in Chattanooga - Digital Imaging of North Georgia and PET/CT of Chattanooga.
- In addition to TIVC's existing multi-imaging facility at the Memorial Atrium medical office building, the applicant leases space and operates an X-Ray service at the Hamilton County Employee Health Center and the City of Chattanooga/Wellness Advantage locations in Chattanooga.
- The practice utilizes a total of 10 radiologists with a wide-range of medical specialties, including Diagnostic Radiology, Vascular and Interventional Radiology, Nuclear Medicine, and Orthopedic Radiology.
- Of the 10 TIVC radiologists, 3 provide on-site coverage for TIVC with at least 1 of the 3 on-site at any given time.

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Facility and MRI Equipment Information

Key highlights of the applicant's proposed ODC and existing MRI service are noted below.

- The applicant has negotiated a 10-year lease beginning February 1, 2016 with the owner/lessor of the building, Imaging Land Holdings, LLC for its exclusive use of the 10,659 useable square foot new 2-story building.
- Physician input was included in the design and use of the new building, including plans for the following: patient privacy, comfort, service efficiency and accommodation of the replacement 3.0 Tesla MRI unit.
- Site preparation is expected to begin in early 2016. The applicant expects construction to be 80% complete by May 2016 and to initiate services in August 2016.
- The building design includes build-out of space on the 1st floor that will house the replacement 3.0 Tesla MRI unit and related support space. The 2nd floor will contain a boardroom and administrative offices with related support areas for finance, accounts receivable and marketing staff.
- The applicant is a physician practice and does not require licensure at its current location by the Tennessee Department of Health. As noted, the applicant will need to obtain a license from TDH to operate the proposed ODC.
- The applicant plans to negotiate an emergency patient transfer agreement with Erlanger East Hospital. The applicant's new location is located 1 block or less than 0.3 mile from the hospital.
- The hours of operation will not change from TIVC's current schedule.

Project Need

The applicant states that the certificate of need for a change in site of the MRI service is being requested for the following reasons:

- TIVC's current lease in the Memorial Atrium Building is due to expire in August 2016.
- The layout of the building requires patient rooms on 2 floors in separate units.
- The applicant states there is no room for growth at the present location and does not have the right or an option to lease additional space.
- Although the applicant has been its present location since 1996, there are concerns with sufficient parking, visibility from Gunbarrel Road and high traffic volumes. The recent opening of a Starbucks has increased traffic volume.
- The applicant states the new location for the proposed ODC with MRI is preferable to the current office space for several reasons, including exclusive use under a lease arrangement, ample parking, improved access from Gunbarrel Road, and room for future expansion.

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- The applicant seeks CON approval to convert its operations to an ODC so that it will be consistent with the business model of its business affiliate and the market environment.
- The replacement 3.0 Tesla MRI unit will provide better technology and expanded clinical applications.

Service Area Demographics

Tennessee Imaging and Vein Center's primary service area (PSA) consists of Hamilton, Bradley, Marion, Rhea, and Counties. Residents of the PSA accounted for 78% of the applicant's 3,113 total MRI procedures performed in calendar year (CY) 2014. Highlights of the applicant's proposed service area are provided as follows:

- The total population of the PSA is estimated at 531,302 residents in CY 2015 increasing by approximately 2.45% to 543,597 residents in CY 2019.
- The overall Tennessee statewide population is projected to grow by 3.7% from 2015 to 2019.
- Residents age 65 and older account for approximately 16.1% of the total PSA population compared to 16.5% statewide.
- The age 65 and older resident population is expected to increase by 11.1% compared to 12% statewide from CY2015 - CY2019.
- The number of residents enrolled in TennCare is approximately 20.7 % of the total PSA population compared to 22% statewide.

Service Area Provider Historical Utilization

The inventory and 3 year utilization trend of the existing 5 county service area MRI providers was clarified in Supplemental 1. For MRI, there are 28 fixed MRI units operating in the service area, including 16 units operated at area hospitals, 4 at physician offices, 2 at ODCs, 1 at a hospital satellite imaging facility and 5 at radiology practice offices. A summary of provider MRI utilization trends by county from 2012-2014 is shown below.

MRI Provider Summary, 2011-2014

County	Type Provider # MRI Units	MRI Scans 2012	MRI Scans 2013	MRI Scans 2014	% Change '12-'14
Hamilton	H-11 PO-3 RPO-5 ODC-2 H-Imaging-1	47,428	47,681	52,299	10.3%
Bradley	PO-1 H-3	7,761	7,629	7,505	-3.3%
Marion	H-1	953	884	558	-41.45%
Rhea	H-1	1,530	1,481	1,495	-2.29%
Sequatchie	None				
Total	27 units	57,672	57,675	61,857	7.3%
Statewide	278.4*	653,006	648,580	664,810	1.84%

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**Note: Excludes outstanding Certificate of Need projects in progress. Legend: H (hospital); H-Imaging (hospital satellite imaging site); ODC (outpatient diagnostic center); PO (private medical practice); RPO (radiologist physician office). Source HSDA Equipment Registry, 02/05/2016*

The table above reflects the following:

- Total MRI provider utilization increased by approximately 7.3% in TIVC's 5-county service area from 57,672 total procedures in 2012 to 61,857 total procedures in 2014 compared to 1.84% statewide.
- The combined utilization of MRI providers in Hamilton County increased by 10.3%. The combined utilization of MRI Providers located in each of the 4 remaining counties of the service area decreased during the period.
- There are no MRI providers in Sequatchie County.

Applicant's Historical and Projected Utilization

The applicant's historical and projected utilization is shown in the table below.

Applicant's Historical and Projected Utilization								
Imaging services	2012	2013	2014	% Change '12-'14	2015	2016 Projected	2017	2018
All Services	16,267	17,151	16,417	0.9%	Not provided	16,221	16,545	Not provided
MRI	3,074	3,165	3,133	1.9%	2,884	2,989	3,115	3,208

Sources: HSDA Equipment Registry; pages 12-R and 16-18, 22-R and 23-R of application

- The first full year of the project is 2017 (Year1). As a whole, the applicant expects all imaging services of the proposed ODC, including MRI, to remain slightly similar to the historical volume of its existing multi-imaging facility (average of 16,611 total imaging procedures/year).
- The applicant's MRI utilization increased by 1.9% from 3,074 MRI procedures in 2012 to 3,133 procedures in 2014.
- The applicant states that MRI utilization in 2015 decreased as a result of a decline in referrals from an oncologist who closed his practice and an orthopedic practice that upgraded its MRI unit from a 0.3 Tesla to 1.5 Tesla unit.
- The applicant expects the utilization of its existing MRI service in Year 1 (2017) to be similar to historical MRI volumes (approximately 3,124 MRI procedures/year from 2012-2014).

Project Cost

Major costs of the \$5,649,646 total estimated project cost are as follows:

- Purchase of replacement 3.0 Tesla MRI unit - \$1,052,000 or approximately 18.7% of the total project cost.

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- Purchase of replacement Mammography and CT units - \$504,098 or 8.9% of the total cost.
- Medical equipment service agreements for the MRI, Mammography and CT replacement units - \$447,387 or 7.9% of the total cost.
- Ten (10) year lease for the new building being built for TIVC - \$3,488,500 or approximately 61.4% of total cost.
- For other details on Project Cost, see the Project Cost Chart on page 20 of the application.

Historical Data Chart

The Historical Data Chart for the applicant's imaging services as a whole was revised in Supplemental 2 and is included in the application labeled as replacement page 22-R(2). A Projected Data Chart for the proposed ODC was provided in Supplemental 1 and has been included in the application labeled as page 23-R. Additionally, a breakout of historical and projected "Other Operating Expenses" is provided on page 8 of Supplemental 1. Highlights of the revised Historical Data Chart are as follows:

- Net income of \$402,242 on 16,417 combined imaging procedures on \$3,703,867 in total combined gross revenue in fiscal year (FY) 2014 (10.9% margin), from \$672,040 in FY 2013 (16.6% margin) and \$713,350 in FY 2012 (16.6%) margin.
- The applicant attached a copy of the unaudited Profit & Loss Statement for the nine (9) months ending September 30, 2015. Review of the documentation revealed net income of \$626,580 on revenues of \$2,241,927 (28% margin). The applicant states that TIVC's financial statements are prepared using a cash basis of accounting. As such, there are no deductions from gross operating revenue for contractual allowances, charity and bad debt.

Projected Data Chart

Highlights of the Projected Data Chart of the proposed ODC are illustrated in the table below.

Applicant's Projected Financial Performance

Financial Measure	Proposed ODC Year 1 (2017)*	Proposed ODC Year 2 (2018)
Procedures	16,221	16,545
Gross Operating Revenue	\$3,583,940 (\$220.95/procedure)	\$3,655,619 (\$22.95/procedure)
Net Operating Revenue**	\$3,583,940	\$3,655,619
Operating Expenses	\$3,035,377	\$3,090,534
Net Operating Income	\$582,163	\$600,085

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Notes: *Applicant's 12-month fiscal year period ends on December 31. **Net revenue is the same as gross revenue because TIVC uses a cash basis method of accounting for its financial reporting system.

The table reflects the following:

- The applicant expects the proposed ODC to perform 16,221 total imaging procedures, including 2,989 MRI procedures, in Year 1 (2017) increasing by approximately 2% to 16,545 total procedures in Year 2.
- Net operating income of the proposed ODC is favorable at \$582,163 in Year 1 increasing to \$600,085 in Year 2.

Charges

In Year One of the proposed project, the average combined charge of all imaging services provided by TIVC is approximately \$220.95/procedure.

For MRI, the applicant states TIVC decreased its MRI charges from approximately \$1,738/procedure in 2014 to \$1,087.29/procedure in 2015 by opting to change from 440% to 300% of the Medicare Allowable Fee Schedule. As a result, the applicant expects its average MRI charge to be among the lowest in Hamilton County. A comparison of the applicant's MRI charges to other MRI service are providers and the Medicare Allowable Fee Schedule is provided in the attachments to the application. The HSDA Equipment Registry's average gross charge by quartile for MRI is shown below:

**Gross Charges per Procedure/Treatment
By Quartiles
YEAR = 2014**

Equipment Type	1st Quartile	Median	3rd Quartile
MRI	\$1,632.60	\$2,229.43	\$3,677.84
Source: Medical Equipment Registry – 8/10/2015			

- The applicant's charge of \$1,087.00/MRI procedure is below the 1st quartile of MRI charges statewide (\$1,632.60/procedure).

Payor Mix

- TennCare/Medicaid - Gross revenue will equal \$77,413 in Year One or 6% of total gross revenue.
- Medicare – Gross revenue will equal \$154,826 or 12% of total gross revenue.
- The applicant contracts with all TennCare Managed Care Organizations that serve the region.

The projected gross operating revenue by payor of the applicant's MRI service is shown in the table below.

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Applicant's MRI Payor Mix, Year 1

Payor Source	Gross Operating Revenue	As a % of Total
Medicare	4154,826.20	12%
TennCare	\$77,413.10	6%
Managed Care	\$683,815.72	54%
Commercial	\$283,848.03	22%
Self-Pay	\$25,804.37	2%
Other	\$51,608.73	4%
Total Gross Revenue	\$1,290,218.34	100%

Source: Supplemental 1, CN1512-058

Financing

Funding support for the project consists of cash reserves of TIVC and an operating lease for the new building. Additional highlights are noted below.

- Per the response to Item 8 of Supplemental 1, actual funding for start-up costs is minimal at approximately \$152,319.50, including \$19,168 for the first month payment of the 10-year building lease.
- A December 9, 2015 letter from TIVC's Vice President, Garth McPherson, M.D, states TIVC has sufficient cash reserves on hand to fund the project.
- Review of the applicant's unaudited financial statement as of September 30, 2015 revealed cash in checking/savings of \$121,497.32, total current assets of \$406,052.28 and total liabilities (retained earnings) of \$210,583.30. As a result, the Current Ratio was favorable at approximately 1.92 to 1.0 for the period.

Note to Agency Members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

- The medical group employs 8 full time equivalent (FTE) clinical and 4 FTE administrative staff as illustrated on page 27 of the application.
- The move to the new location is not expected to change TIVC's existing staffing plan.

Licensure/Accreditation

TIVC is accredited by the American College of Radiology and holds a Radioactive Material license issued by the Division of Radiological Health, Department of Environment and Conservation. If the proposed ODC is approved, the applicant will seek licensure by Tennessee Department of Health.

Corporate documentation, site control information, a vendor quote documenting the equipment lease and maintenance service agreement costs, a copy of the FDA approval of the MRI unit, and the names of staff assigned to the applicant's imaging department are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant. .

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent, denied or pending applications or outstanding Certificates of Need for similar service area entities proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG
02/08/2016

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency

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Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the **Chattanooga Times Free Press**, which is a newspaper
(Name of Newspaper)
of general circulation in **Hamilton**, Tennessee, on or before **December 9, 2015**,
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Diagnostic Radiology Consultants, P.A.

(Name of Applicant)

Professional Private Practice

(Facility Type-Existing)

owned by: **Diagnostic Radiology Consultants, P.A.** with an ownership type of **Corporation**

and to be managed by: **itself** intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]: **the establishment of an outpatient diagnostic center at 1604 Gunbarrel Road, Chattanooga TN 37421 (the "New Location"), and the relocation of its existing magnetic resonance imaging services from DRC's current location at 1949 Gunbarrel Road, Suite 170, Chattanooga TN 37421 to the New Location. No new services will be initiated. The total estimated project cost will be \$5,639,646.02.**

The anticipated date of filing the application is: **December 11, 2015**

The contact person for this project is **James L. Catanzaro, Jr.**
(Contact Name)

Counsel to Applicant
(Title)

who may be reached at: **Chambliss, Bahner & Stophel, P.C.** **605 Chestnut Street**
(Company Name) (Address)

Chattanooga
(City)

TN
(State)

37450
(Zip Code)

423/757-0274
(Area Code / Phone Number)

12/07/2015
(Date)

jcatanzaro@chamblisslaw.com
(E-mail Address)

(Signature)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

Diagnostic
Radiology
Consultants

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SECTION A:

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1. **Name of Facility, Agency, or Institution**Diagnostic Radiology Consultants, P.A. d/b/a/ Tennessee Imaging and Vein Center
Name1604 Gunbarrel Road

Street or Route

Hamilton

County

Chattanooga

City

TN

State

37421

Zip Code

2. **Contact Person Available for Responses to Questions**James L. Catanzaro Jr.

Name

Attorney

Title

Chambliss, Bahner & Stophel

Company Name

jcatanzaro@chamblisslaw.com

Email address

605 Chestnut Street, Suite 1700

Street or Route

Chattanooga

City

TN

State

37450

Zip Code

Legal Counsel

Association with Owner

(423) 757-0274

Phone Number

(423) 508-1274

Fax Number

3. **Owner of the Facility, Agency or Institution**Diagnostic Radiology Consultants, P.A.

Name

(423) 893-7226

Phone Number

1949 Gunbarrel Road, Suite 170

Street or Route

Hamilton

County

Chattanooga

City

TN

State

37421

Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporation (For Profit) X _____

E. Corporation (Not-for-Profit) _____

F. Government (State of TN or
Political Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company _____

I. Other (Specify) _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. Name of Management/Operating Entity¹⁷ (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

D. Option to Lease

B. Option to Purchase

E. Other (Specify)

C. Lease of 10 Years

X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

I. Nursing Home

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty

J. Outpatient Diagnostic Center

X

C. ASTC, Single Specialty

K. Recuperation Center

D. Home Health Agency

L. Rehabilitation Facility

E. Hospice

M. Residential Hospice

F. Mental Health Hospital

N. Non-Residential Methadone
Facility

G. Mental Health Residential
Treatment Facility

O. Birthing Center

H. Mental Retardation Institutional
Habilitation Facility (ICF/MR)

P. Other Outpatient Facility
(Specify)

Q. Other (Specify)

8. Purpose of Review (Check) as appropriate--more than one response may apply)

A. New Institution

X

G. Change in Bed Complement

B. Replacement/Existing Facility

[Please note the type of change by
underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

C. Modification/Existing Facility

D. Initiation of Health Care Service
as defined in TCA § 68-11-
1607(4)

(Specify)

H. Change of Location

X

E. Discontinuance of OB Services

I. Other (Specify) ODC

X

F. Acquisition of Equipment

9. **Bed Complement Data** Not Applicable.

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____

*CON-Beds approved but not yet in service

10. Medicare Provider Number 3709667

Certification Type Physician Office

11. Medicaid Provider Number 3709667

Certification Type Physician Office

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Please see attachment. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. Please see attachment. Discuss any out-of-network relationships in place with MCOs/BHOs in the area. N/A**

SECTION B

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response:

Proposed Services and Equipment

Applicant Diagnostic Radiology Consultants, P.A. (“DRC”), is a physician owned and controlled radiology practice that currently provides outpatient diagnostic services at 1949 Gunbarrel Road. DRC has provided radiology services at the 1949 Gunbarrel Road location since 1996, and was one of the first health care providers to provide MRI services in the Gunbarrel Road /Hamilton Place area. In 2006, DRC began operating its Gunbarrel Road location under the assumed name “Tennessee Imaging and Vein Center” (“TIVC”). At the TIVC location, DRC currently provides a range of diagnostic imaging services, including magnetic resonance imaging (MRI), ultrasound, mammography, CT, x-ray, nuclear CT, and bone densitometry (the “Current TIVC Services”).

DRC’s current lease for the TIVC location is set to expire in August of 2016, and this has caused DRC to evaluate relocation options within the Chattanooga market. It has located a new potential site for its current TIVC operations at 1602 Gunbarrel Road, Chattanooga, Tennessee (the “New Location”)—approximately 4 blocks, or .8 miles, from its current location. The New Location provides virtually no disruption to DRC’s patient relationships in light of its proximity to the current site. DRC has entered into a commitment letter with Imaging Land Holdings, LLC to lease this new location pending approval of this CON application.

DRC anticipates maintaining the same services, service area, staff, salaries, and ownership structure at the New Location. DRC will continue to offer its current services to patients and not initiate any new services at the New Location.

Because DRC currently provides magnetic resonance imaging (“MRI”) services that will be relocated as a part of the move, DRC is applying to obtain approval to relocate its current MRI services to the new location. In addition, DRC plans to upgrade its existing MRI, CT, and Mammography machines if this CON application for MRI service relocation and Outpatient Diagnostic Center (“ODC”) designation is approved. None of the upgrades require CON approval, but in support of the ODC approval process, the costs associated with the upgrades, as well as the costs of the equipment service agreements, have been included as a part of this project’s total estimated costs (see Project Costs Chart, Section C, Economic Feasibility).

As noted above, DRC is a physician owned and controlled practice. To date, it has provided services at TIVC pursuant to the exemptions available to such physician practices under TCA 68-11-201(30)(B). For reasons described below, DRC desires

to convert its operations to an ODC in connection with its relocation. DRC is intimately familiar with the establishment and operation of ODCs, as its affiliate - Digital Imaging of North Georgia, LLC ("DING") - currently operates two licensed ODCs in Chattanooga: Chattanooga Outpatient Center and PET/CT of Chattanooga. DRC believes that this will bring its TIVC operations into greater harmony with its affiliated businesses and the current market environment. Furthermore, there will be very little operational change as a result of this new designation aside from DRC's obtaining a license as an ODC. Most notably, there will be no increase to patient costs based on the ODC designation.

Ownership Structure

DRC is a Georgia professional corporation qualified to do business in Tennessee, which is owned by eight physicians as follows: Brett Austin, MD (15 shares); James Busch, MD (15 shares); Grant Huntzinger, MD (15 shares); Scott Kemmerer, MD (15 shares); Andrew Kreek, MD (15 shares); Garth McPherson, MD (15 shares); James Morrow, MD (15 shares); and John Nelson, MD (15 shares). There are no parent or subsidiary organizations. As noted above, DRC shares common ownership with DING, which holds two ODC licenses.

Service Area

DRC's service area for the Current TIVC Services, which will not change, is predominately (70%) Hamilton County, although it also services patients from Marion, Rhea, Bradley, and Sequatchie Counties, as well as Catoosa and Walker Counties in northern Georgia.

Need and Existing Resources

DRC seeks to relocate Current TIVC Services to the New Location and designate same as an ODC. DRC's existing office at 1949 Gunbarrel Road is a leased unit within a multi-unit medical building, with patient care rooms on two floors. Because it is located in an area not visible from the road, it is often difficult for patients to find. Furthermore, the current location is located at a high-traffic area behind a Starbucks location which can lead to a frustrating traffic pattern for DRC's patients.

DRC will relocate the Current TIVC Services to the New Location, which is a newly constructed building less than one mile south on Gunbarrel Road that will offer patients easier access and a state-of-the-art facility. DRC will be leasing the building from Imaging Land Holdings, LLC.

DRC's MRI services at the current TIVC location have consistently met or exceeded the State of Tennessee's Certificate of Need Standards and Criteria for Magnetic Resonance Imaging Services. DRC performed 3112 MRI scans at the current TIVC location in 2014, and projects approximately 2884 for 2015 and 2989 for 2016 at the New Location. No negative change in utilization is anticipated with the relocation and ODC designation.

Project Cost, Funding and Financial Feasibility

The total estimated cost to relocate the Current TIVC Services to the New Location and initiate services as an ODC is \$5,639,646.02, comprised of a fair market rental annualized at \$230,000 to lease the newly constructed building for an initial period of ten (10) years and associated costs of \$143,152.88. In addition, the estimated cost includes the cost of MRI, CT, and Mammography upgrades (\$1,556,098) and associated service agreements (\$447,387.30 over ten years). The project costs will be financed with the cash reserves and operating funds of DRC.

Staffing

DRC will maintain its current staffing levels at the new location. Current staffing includes three board-certified radiologists licensed to practice in Tennessee, a vein assistant, a registered nurse, a nuclear medicine technician, a mammography technician, an MRI technician, a registered radiology technician, a CT technician, and an ultrasound technician. In addition, DRC employs four receptionists and clerical staff in connection with the Current TIVC Services.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: DRC will lease space in a newly constructed building at the New Location (the "Building"). In essence, DRC will be relocating the Current TIVC Services to the Building. The New Location is less than a mile from DRC's current TIVC location. DRC will deliver the same services at the New Location as are currently offered, but the Building will be designed to improve patient care and be easily accessible for patients. The New Location will have ample parking, improved access from Gunbarrel Road, and include a covered drop-off area located adjacent to the entrance.

The Building will be a two-story structure exclusively occupied by DRC. The first floor will consist of patient reception, registration and a waiting area, as well as all patient care rooms. Private patient treatment rooms will be constructed on either side of a large U-shaped hallway extending behind the reception and waiting rooms, and will include x-ray, two ultrasound rooms, mammography, bone densitometry, nuclear CT, stress testing, EMG, MRI, and CT. In addition, the first floor contains a number of technician offices, a semi-private patient recovery room, a sub-waiting room, and a physician reading room. The second floor will consist of primarily administrative offices, including accounts receivable, marketing, and finance, as well as a boardroom and breakroom. The remaining space will be left open to develop additional offices as needed. As designed, the new facility will offer patients improved comfort, privacy, and service.

The Building will be a total of 10,659 square feet (7,648 first floor, 3,011 second floor) situated on a 1.29 acre parcel. The total estimated cost to relocate to the New Location is \$5,639,646.02, including fair market lease for an initial period of ten (10) years. The Square Footage and Cost per Square Foot Chart is not provided because the construction-related costs for this application are less than \$2 million. DRC will maintain the Current TIVC Services at its current location at 1949 Gunbarrel Road until construction of the Building is complete, so it is not necessary to temporarily relocate during construction. DRC anticipates relocating the Current TIVC Services sometime in September 2016.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: Not applicable.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)

14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: DRC will continue to provide the same level of MRI services to patients at the New Location. DRC is currently providing MRI services and meeting the State of Tennessee's utilization standards. In 2014, DRC provided 3113 MRI procedures at the TIVC location, well in excess of the 2880 minimum under the State of Tennessee Certificate of Need Standards and Criteria. DRC is relocating its services less than one mile south on Gunbarrel Road. Therefore, DRC will continue to meet the same need for MRI services at the New Location. No new services are being initiated. DRC, however, anticipates upgrading its current MRI if this application for MRI service relocation and ODC designation is approved.

D. Describe the need to change location or replace an existing facility.

Response: DRC currently leases several spaces within a multi-unit medical building for the Current TIVC Services, with patient care rooms located on two floors. The lease for the current location expires in August 2016, and does not provide DRC any right or option to lease additional space on the property. In addition, the current facility is located on a side street off of Gunbarrel Road behind several commercial buildings, making it difficult for patients to find. As noted above, the presence of a Starbucks store further complicates visibility and traffic patterns for patients.

In contrast, the New Location will sit directly on Gunbarrel Road and will offer patients improved access. The Building is more visible from Gunbarrel Road, and should eliminate the confusion that patients have had finding the current TIVC location. In addition, the New Location is easily accessible by public transportation and has ample parking directly in front of the Building. The Building has been designed with physician input to include features improving patient care, privacy, comfort, and service efficiency that cannot be implemented at the current location due to lease and physical plant limitations. In addition, all patient care rooms will be located on the first floor for ease of accessibility.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

- a) Describe the new equipment, including:
 - (1) Total cost (As defined by Agency Rule);
 - (2) Expected useful life;
 - (3) List of clinical applications to be provided; and
 - (4) Documentation of FDA approval.
- b) Provide current and proposed schedules of operations.

Response: Not Applicable. DRC anticipates replacing its existing MRI with an upgraded machine if this application for MRI service relocation and ODC designation is approved.

2. For mobile major medical equipment:

- a) List all sites that will be served;
- b) Provide current and/or proposed schedule of operations;
- c) Provide the lease or contract cost.
- d) Provide the fair market value of the equipment; and
- e) List the owner for the equipment.

Response: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: DRC anticipates replacing its existing MRI if this application for MRI service relocation and ODC designation is approved. A quote from the equipment vendor is attached hereto as Attachment B.II(E).

III.

A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

- 1. Size of site (in acres);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: Please see a copy of the plot plan attached hereto as Attachment B.III(A).

- B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area.

Response: The new location is less than 1 ½ miles from I-75 on Gunbarrel Road – a major thoroughfare near Hamilton Place and a medical “hub” for a number of satellite hospitals and health facilities.

The New Location can be easily accessed by patients using public transportation such as through the CARTA Route 4 (Eastgate/Hamilton Place Route and Hamilton Place Express) and Route 6 (East Brainerd Dial-a-Ride) buses. Its proximity to I-75 allows ease of access for patients who reside in all areas of Hamilton County, other Tennessee counties in DRC’s service area, as well as those coming from northern Georgia.

1. Describe the accessibility of the proposed site to patients/clients

Response: The New Location will be more easily accessible by all patients. Rather than being situated behind other medical and commercial buildings, the New Location will be readily visible from Gunbarrel Road and have ample parking, including sufficient handicapped parking. The entrance to the Building has a covered drop-off area just a few yards from registration and waiting areas. All patient care rooms will be located on the first floor of the Building.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on a 8 ½” x 11” sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see a copy of the floor plan drawing attached hereto as Attachment B.IV.

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Response: Not applicable.

SECTION C**NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health; Guidelines for Growth.
 - a) Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response:

Guidelines for Growth: Construction of a Health Care Institution

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Response: Not applicable. DRC will not be adding beds, services, or medical equipment at the New Location.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

Response: DRC is relocating its Current TIVC Services to the Building newly constructed by Imaging Land Holdings LLC. DRC currently leases several units on multiple floors within Atrium Medical Building, owned by Colony FLI Atrium LLC. Patient care rooms are located on two floors, and the current lease does not give DRC the right or option for additional space to accommodate growth. Due to such restrictions under the lease and due to limitations in the physical layout and location, DRC is not able to renovate its current TIVC facility to the extent necessary. Therefore, construction of a new facility is the only viable option. The current lease expires in August 2016, and DRC anticipates that construction of the Building will be complete. However, DRC is hopeful that it may continue to operate the Current TIVC Services at the current location on a month-to-month basis if necessary until construction of the new facility is complete and its lease with Imaging Land Holdings commences.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Response: Because DRC is already providing radiology services in the same immediate area, and meeting the minimum standards for MRI utilization, there is an acceptable existing demand for its services to continue. There is no anticipated negative change in utilization rates with the construction and relocation to the Building and New Location.

Included at Attachment C.Need.1 are letters from several of DRC's referring physician groups in support of this CON application.

Section 3 of the Guidelines for Growth: Construction of a Health Care Institution applies only to the renovation or expansion of an existing licensed health care institution and is therefore not applicable.

Guidelines for Growth: ODC

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

Response: For the previous three years, DRC has met the need and utilization standards of 2880 MRI procedures per year at the TIVC location, and anticipates the same going forward. Below are the MRI utilization numbers for 2012, 2013, and 2014, and projected numbers for 2015, 2016, 2017, 2018, and 2019:

	2012	2013	2014	2015	2016	2017	2018	2019
MRI Procedures	3074	3165	3113	2884	2989	3115	3208	3304

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

Response: As a whole, Hamilton County performed 52,299 MRI procedures in 2014 at an average of 2377 per magnet.

DRC is already providing radiology services, meeting the minimum standards for MRI utilization. Converting the Current TIVC Services to an ODC will not increase or add any additional services in the geographical service area, and DRC does not anticipate any material change in volume in any services that it provides. At the present volume

level, DRC has remained profitable and projects that it will continue to do so.

3. Any special needs and circumstances.

Response: DRC is certain that the proposed ODC will meet the needs of its clientele because it is already providing such services at the current TIVC location as a physician practice.

Emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice. The New Location is just one block, or .3 miles, from Erlanger East, which includes an emergency room.

DRC already has in place protocols to assure that all clinical procedures are medically necessary and do not duplicate other services. DRC's radiologists only perform radiology procedures for patients with a valid referral and prescription, and if necessary, for whom their insurance company has pre-authorized the service.

State Health Plan: 5 Principles for Achieving Better Health

1. Healthy Lives: The newly constructed Building will provide enhanced patient care and service in a modern, easily accessible location. DRC will continue to collaborate with providers to ensure high quality patient care, and will continue to contract with TennCare MCOs and to provide its patients with the most advanced radiology services.
2. Access to Care: DRC has provided radiology services to patients in the area since 1996, and has operated as TIVC since 2006. DRC's relocation of MRI services and operation as an ODC may actually improve access to MRI or other radiology services in its service area. DRC will be located in a modern, free-standing facility more easily accessible from Gunbarrel Road. DRC also believes that this new entranceway will be safer than the current congested location.
3. Economic Efficiencies: DRC will continue to meet the need standards for MRI services in Hamilton County. DRC's charges are projected to be lower than those of other outpatient facilities, and significantly less than the charges for radiology services by hospitals. Patient charges and facility revenue are not projected to materially change as a result of the relocation. Specifically, DRC's charges will not change from its current rates based on its new designation as an ODC.
4. Quality of Care: All of TIVC's radiologists are board-certified radiologists licensed in both Tennessee and Georgia and members of the American College of Radiology.
5. Healthcare Workforce: DRC employs exceptionally qualified radiologists, including radiologists specializing in interventional radiology.

DRC will continue to recruit high qualified radiologists and other staff as needed.

receives patients from Bradley, Sequatchie, Rhea, and Marion Counties, Tennessee. Approximately 79.2% of TIVC's patients reside in these 5 counties. Broken down, TIVC's patients originate as follows:

Hamilton County: 70%
 Bradley County: 5%
 Sequatchie County: 1.4%
 Rhea County: 1.4%
 Marion County: 1.4%
 Catoosa County, GA: 7.5%
 Walker County, GA: 5.5%
 Other: 7.8%

Percentages based upon 2015 TIVC patient demographics.

The proposed service area is reasonable based on 2015 statistics tracking the demographics of patients utilizing the Current TIVC Services. As one of the first radiology providers in the area, DRC has long established links to communities surrounding Hamilton County and in northern Georgia near the Tennessee/Georgia state line.

There has been significant development of medical and hospital facilities in eastern Hamilton County especially along Gunbarrel Road. DRC primarily serves the patients of those medical and hospital service providers, as well as the residents of Harrison, Collegedale, and Apison, and the north Georgia counties of Catoosa and Walker. There are no comprehensive radiology services in Harrison, Collegedale, and Apison. A copy of the service area map is attached hereto as Attachment C.Need.3.

4.

A. Describe the demographics of the population to be served by this proposal.

Response: The population to be served by DRC at its New Location will not change from the population it currently serves. It currently serves individuals who reside in the above-named counties. The demographics of its patient population reflect the demographics of Hamilton, Bradley, Rhea, Sequatchie and Marion Counties and north Georgia in general. It is primarily residential with some business and industrial development, and each Tennessee county projects growth over the next three years, confirming the need for DRC to continue to provide radiology services in its new location. Details of the demographics for each of the Tennessee counties in DRC's service area are listed below. Similar data for the portion of the service area in northern Georgia is not available.

Variable	Hamilton	Bradley	Rhea	Sequatchie	Marion	TN Service Area	Tennessee
*2015, Age 65+	57,974	16,985	6,217	2,916	5,502	89,594	1,012,937
*2019, Age 65+	64,174	19,036	6,907	3,372	6,031	99,520	1,134,565
Age 65+, % Change	10.7%	12.1%	11.1%	15.6%	9.6%	11.1%	12.0%
Age 65+, % Total, 2019	18.1%	17.5%	19.7%	20.7%	20.7%	18.3%	16.5%
*2015, Total Population	349,273	104,364	33,767	15,246	28,652	531,302	6,649,438
*2019, Total Population	354,610	108,511	35,081	16,270	29,125	543,597	6,894,997
Total Pop. % Change	1.5%	4.0%	3.9%	6.7%	1.7%	2.3%	3.7%
**TennCare Enrollees (as of Oct. 2015)	67,542	22,320	9,116	4,042	7,177	110,197	1,469,855
TennCare Enrollees as a % of Total Population	19.3%	21.4%	27%	26.5%	25%	20.7%	20.7%
***Median Age (2010)	39.3	38.2	39.8	40.6	42.3	40	38
***Median Household Income (2009-2013)	\$46,702	\$41,083	\$36,741	\$36,434	\$41,268	\$40,446	\$44,298
***Population % Below Poverty Level (2009-2013)	16.6%	19.8%	22.6%	17.4%	18.2%	18.9%	17.6%

Sources:

*** Tennessee Population Estimates 2015 and 2019, Tennessee Department of Health**

**** TennCare Enrollment Data, October 2015**

***** Tennessee County QuickFacts from U.S. Census Bureau**

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans

of the facility will take into consideration the special needs of the service area population.

Response: DRC's patient population represents the general demographics of its service area. There are a number of low income rural areas in the service area, particularly in the farther reaches of eastern Hamilton County, Bradley County, Rhea County and parts of north Georgia. DCR currently serves and will continue to serve those populations, which include TennCare, Medicaid and Medicare patients.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: Several other facilities in the primary service area (Hamilton County) are providing MRI services, including: Chattanooga Bone & Joint Surgeons, PC, Chattanooga Imaging Downtown, Chattanooga Imaging East, Chattanooga Imaging Hixson, Chattanooga Orthopaedic Group PC, Chattanooga Outpatient Center, Erlanger East, Erlanger Medical Center, Memorial Hixson, Memorial Hospital, Memorial Ooltewah, Neurosurgical Group of Chattanooga, Parkridge East, and Parkridge Medical Center. Of these, only Chattanooga Outpatient Center (also owned by DRC's affiliate, DING) and Chattanooga Imaging Downtown are ODCs.

The MRI utilization data for these above-listed Hamilton County facilities for the past three years is set out below:

Provider	2012	2013	2014	% Changed
Chattanooga Bone & Joint Surgeons	1021	841	350	-65.72%
Chattanooga Imaging Downtown	2035	1540	1935	-4.91%
Chattanooga Imaging East	2850	2822	2869	.67%
Chattanooga Imaging Hixson	2230	2386	2368	6.19%
Chattanooga Orthopaedic Group PC	5332	5340	7004	31.36%
Chattanooga Outpatient Center	6465	7292	8659	33.94%

Erlanger East Campus	704	568	832	18.18%
Erlanger Medical Center	10915	11558	12950	18.64%
Memorial Hixson Hospital	2836	2488	2569	-9.41%
Memorial Hospital	4096	4356	4244	3.61%
Memorial Ooltewah Imaging Center	1050	1049	1028	-2.10%
Neurosurgical Group of Chattanooga, P.C.	1405	1198	1259	-10.39%
Parkridge East Hospital	919	1024	997	8.49%
Parkridge Medical Center	2496	2054	2122	-14.98%

Other TN counties serviced by TIVC have limited access to MRI services. Marion and Rhea Counties each have a single MRI in a hospital facility. Sequatchie County has no MRI provider. Bradley County has three facilities providing MRI services, two of which are hospitals. MRI utilization data for these counties is listed below.

County/Provider	2012	2013	2014	% Changed
Bradley – Cleveland Imaging	2769	3509	3874	39.91%
Bradley – Skyridge Medical Center	2499	2302	2261	-9.52%
Bradley – Skyridge Medical Center Westside	2493	1818	1370	-45.05%
Marion – Parkridge West Hospital	953	884	558	-41.45%
Rhea – Rhea Medical Center	1530	1481	1495	-2.29%

Source: State of Tennessee MRI Utilization Data and Trend Data, as of 8/10/2015

DRC is not aware of any approved but unimplemented CONs for MRI providers within DRC's service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the

methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: The chart below demonstrates DRC's MRI utilization at TIVC for each of the past three years and the projected annual utilization for the two years following completion of the project (2016 and 2017):

MRI utilization	2012	2013	2014	2016 (projected)	2017 (projected)
DRC (TIVC)	3074	3165	3133	2989	3115

Source: State of Tennessee Health Services and Development Agency, MRI Equipment Utilization Report (8/10/2015).

At this time, DRC anticipates moving the Current TIVC Services into the newly constructed Building in September 2016. No additional services are anticipated. In its calculation of the projected MRI utilization, DRC assumes flat growth prior to the move (January through July 2016), with an increase of approximately one MRI service per day following the move due to the improved location and accessibility of the new facility. DRC assumes a more modest increase of approximately .5 MRI services per day in 2017, again based upon the improved location and accessibility of the newly constructed facility.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see the Project Costs Chart on the following page.

The new Building will be located on easily accessible property on Gunbarrel Road – a major thoroughfare in eastern Hamilton County. DRC will lease the property at a fair market value rental.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	0
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$35,000.00
3. Acquisition of Site	0
4. Preparation of Site	0
5. Construction Costs	0
6. Contingency Fund	0
7. Fixed Equipment (Not included in Construction Contract)	\$1,556,098.00
8. Moveable Equipment (List all equipment over \$50,000)	0
9. Other (Specify) <u>Equipment service agreements</u>	\$447,387.30
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land) (10-year lease, utilities, and real estate taxes)	\$3,488,500.00
2. Building only	
3. Land only	
4. Equipment (Specify) _____	
5. Other (Specify) <u>Moving costs</u>	\$100,000.00
C. Financing Costs and Fees:	
1. Interim Financing	0
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify) _____	0
D. Estimated Project Cost (A+B+C)	\$5,626,985.30
E. CON Filing Fee	\$12,660.72
F. Total Estimated Project Cost (D+E)	
TOTAL	\$5,639,646.02

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

Response: The project will be financed primarily with DRC's cash reserves. The monthly lease will be paid as due under the agreement. A funding commitment letter is attached as Attachment C, Economic Feasibility.2 and DRC's balance sheet as of September 2015 is attached in response to Question 10 (Economic Feasibility).

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The estimated cost of the relocation is \$5,639,646.02. This cost consists of a ten-year fair market lease annualized at \$230,000 per year, for a total of \$2,300,000, plus utilities and taxes owed under the lease, in addition to equipment upgrades and associated service agreements. DRC is unaware of similar projects recently approved to relocate radiology practices.

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: Please see the completed data charts on the following pages. Note that DRC's financials are presented using the cash basis method of accounting. As such, there are no "deductions from gross operating revenue." The Projected Data Chart reflects the gross revenue and expenses for the combined ODC, and not just the MRI service. Likewise, the

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HISTORICAL DATA CHART

SUPPLEMENTAL #2

December 29, 2015

Give information for the last *three (3)* years for which complete data are available for ~~10/12/2015~~ **10/12/2015** or agency. The fiscal year begins in January (Month).

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Specify unit of measure) All Services*	<u>16267</u>	<u>17151</u>	<u>16417</u>
B. Revenue from Services to Patients			
1. Inpatient Services	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
2. Outpatient Services	\$4,290,775	\$4,055,585	\$3,703,867
3. Emergency Services	<u>0</u>	<u>0</u>	<u>0</u>
4. Other Operating Revenue (Specify) _____	<u>0</u>	<u>0</u>	<u>0</u>
Gross Operating Revenue	\$4,290,775	\$4,055,585	\$3,703,867
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$0	\$0	\$0
NET OPERATING REVENUE	\$4,290,775	\$4,055,585	\$3,703,867
D. Operating Expenses			
1. Salaries and Wages	\$534,073	\$546,765	\$611,567
2. Physician's Salaries and Wages	<u>0</u>	<u>0</u>	<u>0</u>
3. Supplies	\$387,921	\$285,084	\$361,664
4. Taxes	\$57,665	\$12,840	\$4,217
5. Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
6. Rent	\$185,722	\$198,906	\$218,381
7. Interest, other than Capital	\$11,768	\$7,645	\$3,858
8. Management Fees:			
a. Fees to Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
b. Fees to Non-Affiliates	\$185,638	\$158,095	\$113,822
9. Other Expenses (Specify) Equipment, insurance, benefits, office supplies, maintenance	\$2,250,782	\$2,200,558	\$2,090,481
Total Operating Expenses	\$3,613,569	\$3,409,893	\$3,403,990
E. Other Revenue (Expenses) – Net (Specify)	\$36,144	\$26,348	\$102,365
NET OPERATING INCOME (LOSS)	\$713,350	\$672,040	\$402,242
F. Capital Expenditures			
1. Retirement of Principal	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
2. Interest	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Expenditures	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
NET OPERATING INCOME (LOSS)	\$713,350	\$672,040	\$402,242
LESS CAPITAL EXPENDITURES			

* Services include Bone Density, Sclerotherapy, MRI, CT, Mammography, Laser, Endoscopy, December 29, 2015
Nuclear Medicine, Ultrasound, X-Ray, Liver Paracentesis, Fluoroscopy, Follow-up vein procedures.
10:42 am

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PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

SUPPLEMENTAL

Year 2016 Year 2017
16,221 16,545

A. Utilization Data (Specify unit of measure) **All Services***

B. Revenue from Services to Patients

1. Inpatient Services	\$ <u>0</u>	\$ <u>0</u>
2. Outpatient Services	\$3,583,940	\$3,655,619
3. Emergency Services	<u>0</u>	<u>0</u>
4. Other Operating Revenue (Specify) _____	<u>0</u>	<u>0</u>

Gross Operating Revenue \$3,583,940 \$3,655,619

C. Deductions from Gross Operating Revenue

1. Contractual Adjustments	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____
3. Provisions for Bad Debt	_____	_____

Total Deductions \$ _____ \$ _____

NET OPERATING REVENUE

\$ _____ \$ _____

D. Operating Expenses

1. Salaries and Wages	\$723,845	\$734,702
2. Physician's Salaries and Wages	_____	_____
3. Supplies	\$300,316	\$304,820
4. Taxes	\$ 2,878	\$2,922
5. Depreciation	_____	_____
6. Rent	\$219,941	\$223,240
7. Interest, other than Capital	_____	_____
8. Management Fees		
a. Fees to Affiliates	\$129,692	\$131,637
b. Fees to Non-Affiliates	<u>None</u>	<u>None</u>
9. Other Expenses (Specify) Equipment, insurance, benefits, office supplies, maintenance	\$1,658,705	\$1,693,213

Total Operating Expenses \$3,035,377 \$3,090,534

E. Other Revenue (Expenses) -- Net (Specify) **Sub-lease, interest** \$33,600 \$35,000

NET OPERATING INCOME (LOSS)

\$582,163 \$600,085

F. Capital Expenditures

1. Retirement of Principal	\$ _____	\$ _____
2. Interest	_____	_____

Total Capital Expenditures \$ _____ \$ _____

**NET OPERATING INCOME (LOSS)
LESS CAPITAL EXPENDITURES**

\$582,163 \$600,085

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: DRC's average gross charge per MRI is \$1087.29 (2015 estimated data). The average deduction from operating revenue is \$416.49 and the average net charge is approximately \$482.56.

6.

- A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: DRC's average charge per MRI service in 2014 was \$1738 and for 2015 year-to-date is \$1087.29. DRC reduced its charges in April 2015 from 440% of the 2010 Medicare fee schedule to 300% of the 2010 Medicare fee schedule, which explains the decrease in average charge. Occasionally charges are adjusted pursuant to third party payor requirements or adjustments in the marketplace. However, subject to those caveats, DRC does not anticipate any significant impact on existing patient charges, and expects a modest increase in revenues as a result of the new, more convenient location and improved quality of the facility.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: See the attached charts for average MRI charges in 2014 for similar facilities in the Hamilton County service area, and a comparison of TIVC's charges to the current Medicare allowable fee schedule by CPT code, both of which are attached hereto as Attachment C.Economic Feasibility.6(B). DRC's average MRI charges from 2012-2014 were comparable to charges by other outpatient imaging facilities. Its 2015 charges are expected to be among the lowest in Hamilton County. The average hospital MRI charges in the service area are significantly higher. DRC's charges are approximately 300% of the 2010 Medicare allowable fee schedule.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: DRC does not anticipate any significant change to its utilization rates. It anticipates approximately 2989 MRI services in 2016 and 3115 in 2017. Therefore, DRC will maintain the same level of cost-effectiveness that it has maintained at its current location.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: DRC will continue to operate at its current location until the new Building is complete. Therefore, there will be no suspension of services and no period of time during which DRC will not be operational. There will be no change in cash flow and DRC will maintain its current level of financial viability. DRC's financial statements are attached in response to Question 10 (Economic Feasibility).

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: See chart attached at Attachment C.Economic Feasibility.9 for a summary of DRC's 2015 estimated procedures and revenue from Medicare, TennCare, and other government sources. DRC does not anticipate any significant change in 2016 and 2017.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C. Economic Feasibility.10.

Response: Please see DRC's balance sheet from September 2015 at Attachment C.Economic Feasibility.10. DRC does not have audited financial statements.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: There is no appropriate alternative to relocating the Current TIVC Services because DRC's lease at the current space terminates as of August 2016. In addition, the current lease does not allow DRC room for growth, and the physical layout of the current location requires patient rooms to be located on two different floors and in separate units. DRC will be relocating the Current TIVC Services to a space that is more readily accessible for patients and will be designed by physicians in a manner that will allow improved patient care and service. All patient care rooms will be located on the first floor.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: DRC is relocating to a modern facility that is being constructed just a few blocks further south on Gunbarrel Road. Relocating is unlikely to have any substantial impact on patient charges, utilization rates, service area, or staffing, and will only positively impact the quality of care that DRC is able to provide its patients.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: Below are the health care providers with whom DRC contracts:

ACS/Dept of Labor	Medicare TN
ADIN	Medicaid GA
Aetna (PPO only)	Medicaid TN
Alliant Health Plans	Med Solutions
BCBS OF GA (PPO Only)	Med West
BCBS OF TN	Multiplan PHCS
Bluegrass Family Health	NextImage Medical
Care Improvement Plus	NIA
Care IQ	Nova Net
Cigna	OccuComp
Coast2Coast	Olympus
Corvel Corporation	One Call Care
Coventry	One Health
Cypress Care	Optum Health Financial Services
DiaTri, LLC	Orchid Medical
Direct Pay Provider Network	Premier Benefit Health Plans
Galaxy Health Network	Premier Comp Solutions
Genex Services	Prime Health
Health One Alliance	Principle Edge Network
Health Spring	Railroad Medicare
Humana	Tech Health
Imaging Network Group	Three Rivers
Integrated Health Plan	TNRN
Johnston & Associates	Tricare/Health Net
Key Health Medical Solutions	UHC
MDIA	UHC River Valley
Med Focus	UHC/Americhoice
Medicare GA	US Imaging

**Wellcare
Wellpoint/Amerigroup**

Windsor

- Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: As previously discussed, DRC is relocating just 4 blocks, or less than one mile, down Gunbarrel Road. There will be no negative effects of the relocation on the local health care system, and should have no effect on the utilization rates of existing providers in the service area. The only change is positive, as patients will have improved facilities and service.

- Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Please see below for a summary of all employees providing patient care at the TIVC location, including FTE, salary, and median wages as published by the Tennessee Department of Labor & Workforce Development. There is no anticipated change in staffing with the proposed relocation.

Current Staffing	FTEs	Wage		Median Wage*
Vein Assistant	1 FT	18.00	Hour	\$20.00
Registered Nurse R.N.	1 FT	30.00	Hour	\$30.02
Receptionist/Clerical (4)	4 FT	13.00	Hour	\$11.51
Nuclear Med Tech/CT RT(N)(CT)	1 FT	36.00	Hour	\$28.83
Mammography Tech RT(M)	1 FT	28.85	Hour	\$29.46
MRI Tech RT(MR)	1 FT	25.33	Hour	\$26.91
Registered Radiology Tech RT	1 FT	18.00	Hour	\$23.38
MRI /CT Tech RT(MR)(CT)	1 FT	27.28	Hour	\$28.90
Ultrasound Tech RT(RDMS)	1 FT	30.00	Hour	\$32.23

***Source: Tennessee Department of Labor and Workforce Development.**

- Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response: DRC has maintained adequate professional staff and will continue to do so. It does not anticipate any change in staffing.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

Response: DRC has been operating as a physician-owned and controlled practice since its inception and at all times since it began offering MRI services in 1996. It is well-versed in all regulations, credentialing and admission requirements, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education. DRC will continue to comply with all laws and regulations applicable for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: DRC does not participate in training students.

7.
 - (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: DRC has reviewed and understands the applicable licensure and Medicare requirements for radiology services.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Accreditation:

Response: The radiologists at DRC are board-certified and licensed in Tennessee and Georgia. DRC is accredited by the American College of Radiology and has a Radioactive Material License in Nuclear Medicine by the TN Department of Environment and Conservation Division of Radiological Health.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: DRC is accredited by the American College of Radiology and has a Radioactive Material License in Nuclear Medicine by the TN Department

of Environment and Conservation Division of Radiological Health. DRC will apply for licensure as an ODC upon approval of this CON application.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: DRC currently complies with and will continue to comply with all reporting requirements.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: Please see the publication affidavit, attached immediately after this application.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

Response: Please see the completed Project Completion Forecast Chart on the next page. Imaging Land Holdings LLC has purchased the land and is currently in the process of finalizing the construction contract. It will commence building the facility in March 2016 and anticipates completion sometime in August 2016. DRC will relocate TIVC to the new facility upon its completion.

2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Response: Not Applicable.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):
February 2016 (consent calendar)

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

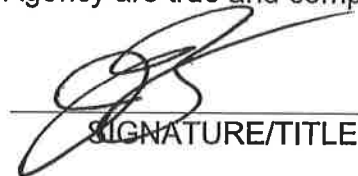
<u>Phase</u>	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	N/A	
2. Construction documents approved by the Tennessee Department of Health	N/A	
3. Construction contract signed	N/A	
4. Building permit secured	N/A	
5. Site preparation completed	N/A	
6. Building construction commenced	N/A	
7. Construction 40% complete	N/A	
8. Construction 80% complete	N/A	
9. Construction 100% complete (approved for occupancy)	N/A	
10. *Issuance of license	N/A	08/2016
11. *Initiation of service	N/A	09/2016
12. Final Architectural Certification of Payment	N/A	
13. Final Project Report Form (HF0055)	N/A	

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVITSTATE OF TennesseeCOUNTY OF Hamilton

James M. Busch, MD, President being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.


SIGNATURE/TITLE

Sworn to and subscribed before me this 7th day of December, 2015 a Notary
(Month) (Year)

Public in and for the County/State of Hamilton / Tennessee.

Teresa A. Arthur
NOTARY PUBLIC

My commission expires March 25, 2017.
(Month/Day) (Year)



ATTACHMENT A.4

Ownership Chart – DRC



STATE OF TENNESSEE
Tre Hargett, Secretary of State
 Division of Business Services
 William R. Snodgrass Tower
 312 Rosa L. Parks AVE, 6th FL
 Nashville, TN 37243-1102

CATHERINE DORVIL
 1700
 605 CHESTNUT STREET
 CHATTANOOGA, TN 37450

October 22, 2015

Request Type: Certificate of Existence/Authorization

Request #: 0179006

Issuance Date: 10/22/2015

Copies Requested: 1

Document Receipt

Receipt #: 002283113

Filing Fee: \$22.25

Payment-Credit Card - State Payment Center - CC #: 165498787

\$22.25

Regarding: DIAGNOSTIC RADIOLOGY CONSULTANTS, P.A.

Filing Type: For-profit Corporation - Foreign

Control #: 320469

Formation/Qualification Date: 11/07/1996

Date Formed: 08/27/1970

Status: Active

Formation Locale: GEORGIA

Duration Term: Perpetual

Inactive Date:

CERTIFICATE OF AUTHORIZATION

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

DIAGNOSTIC RADIOLOGY CONSULTANTS, P.A.

- * a Corporation formed in the jurisdiction set forth above, is authorized to transact business in this State;
- * has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed an Application for Certificate of Withdrawal.

Tre Hargett
 Secretary of State

Processed By: Cert Web User

Verification #: 014130213

**OWNERSHIP OF STOCK OF
DIAGNOSTIC RADIOLOGY CONSULTANTS, P.A.**

AS OF JUNE 1, 2015

<u>Shareholder</u>	<u>Effective Date</u>	<u>Certificate No.</u>	<u>No. of Shares</u>
Grant W. Huntzinger, M.D.	6/12/85	11	15
John F. Nelson, M.D.	7/01/89	12	15
Brett Austin, M.D.	7/01/98	16	15
James Morrow, M.D.	7/01/02	18	15
Garth McPherson, M.D.	11/1/02	19	15
Scott Kemmerer, M.D.	6/21/03	20	15
Andrew L. Kreek, M.D.	6/28/04	21	15
Jim Busch, M.D.	7/01/06	22	15

Total Issued and Outstanding Shares:

120

***DRC does not have a financial interest in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602.**

ATTACHMENT A.13

TennCare MCOs operating in service area and with whom TIVC contracts

Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.

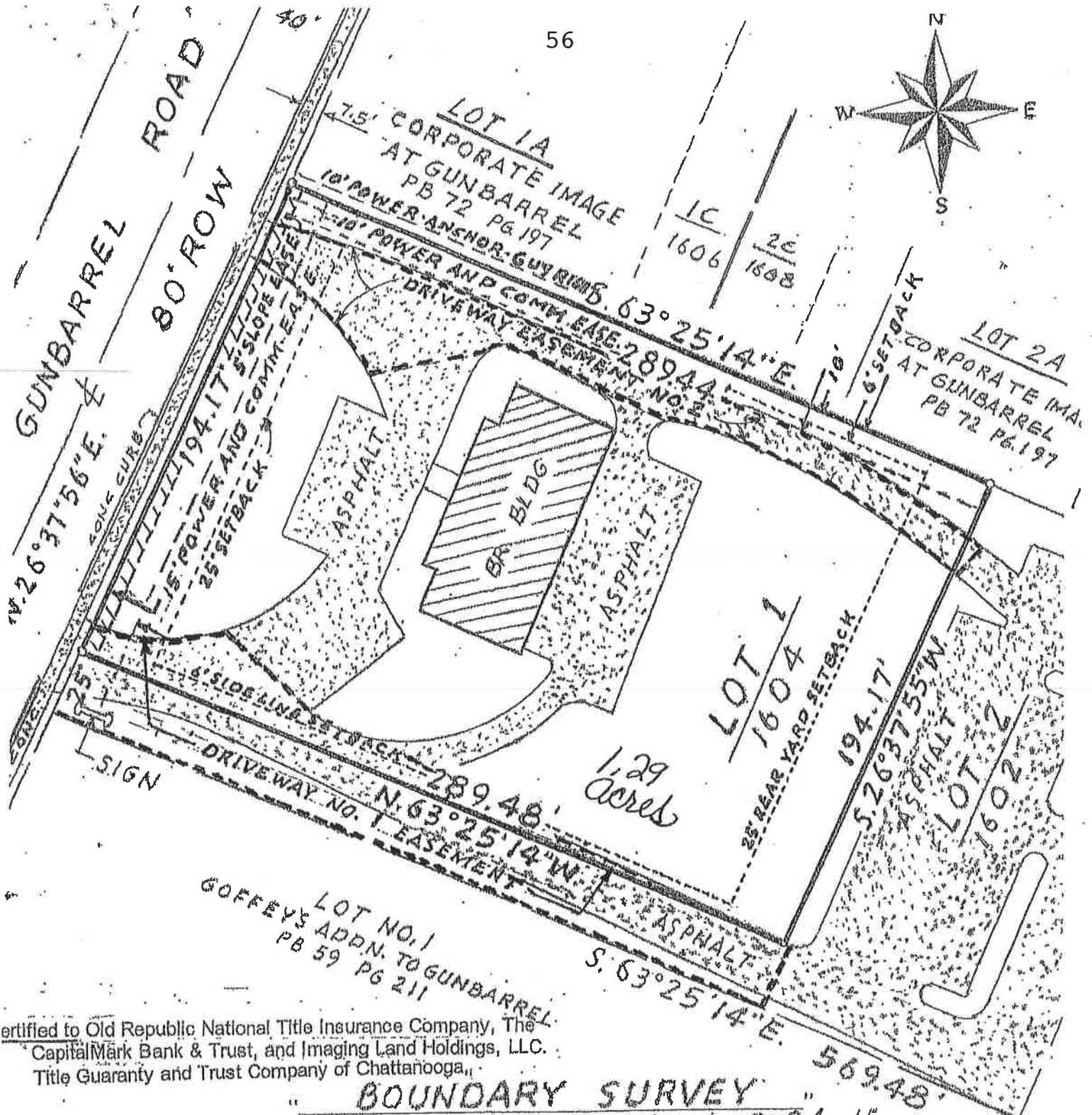
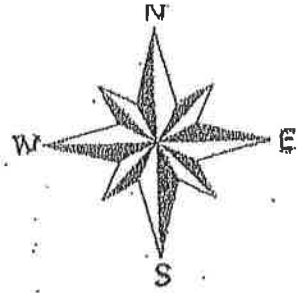
Amerigroup
Blue Care
United Healthcare Community Plan
Tenn Care Select

Identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

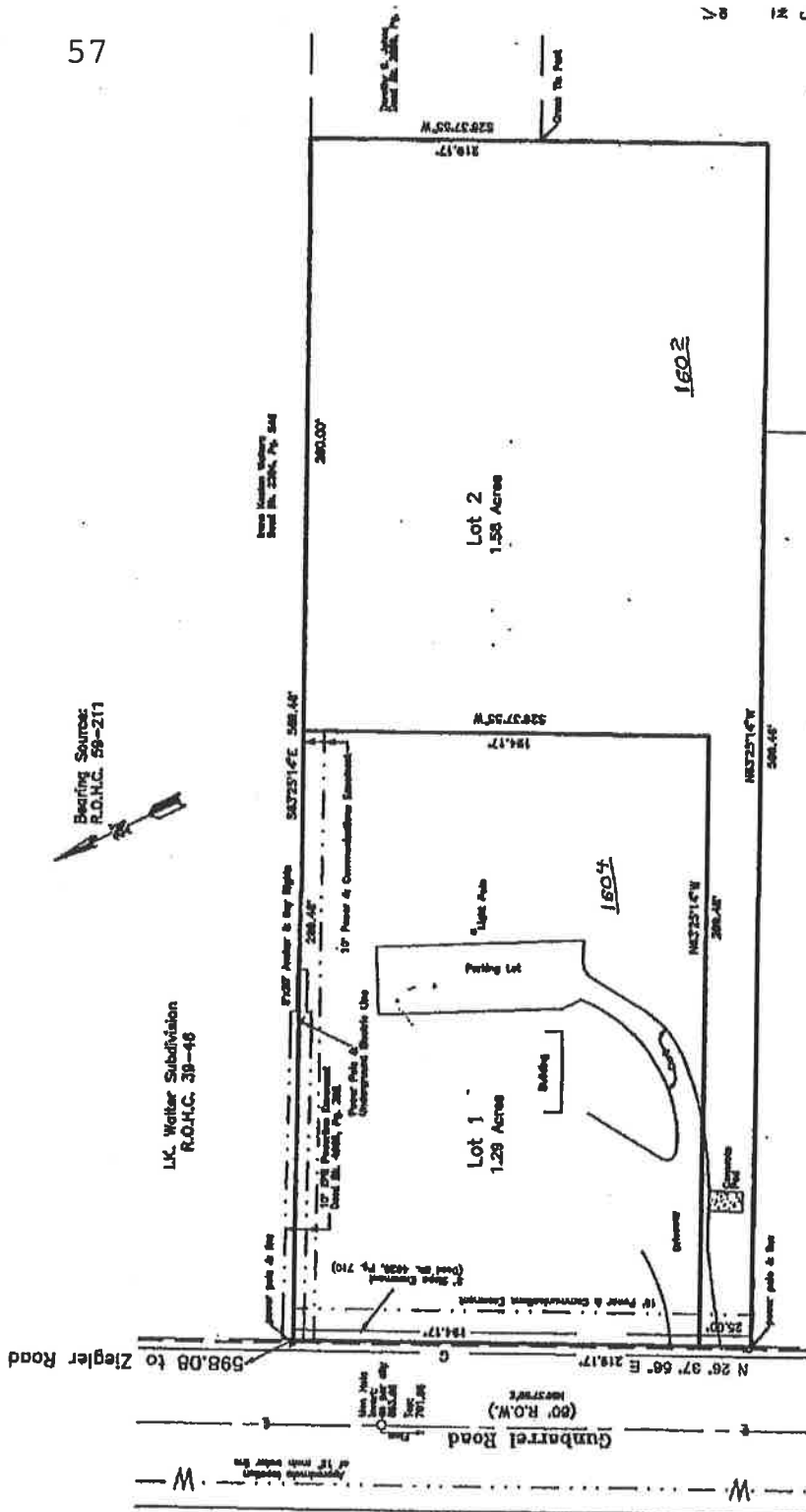
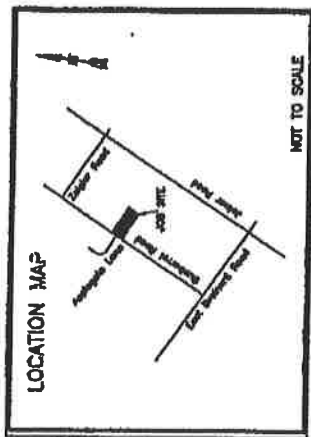
Amerigroup
Blue Care
United Healthcare Community Plan
Tenn Care Select

ATTACHMENT B.III(A)

Plot Plan



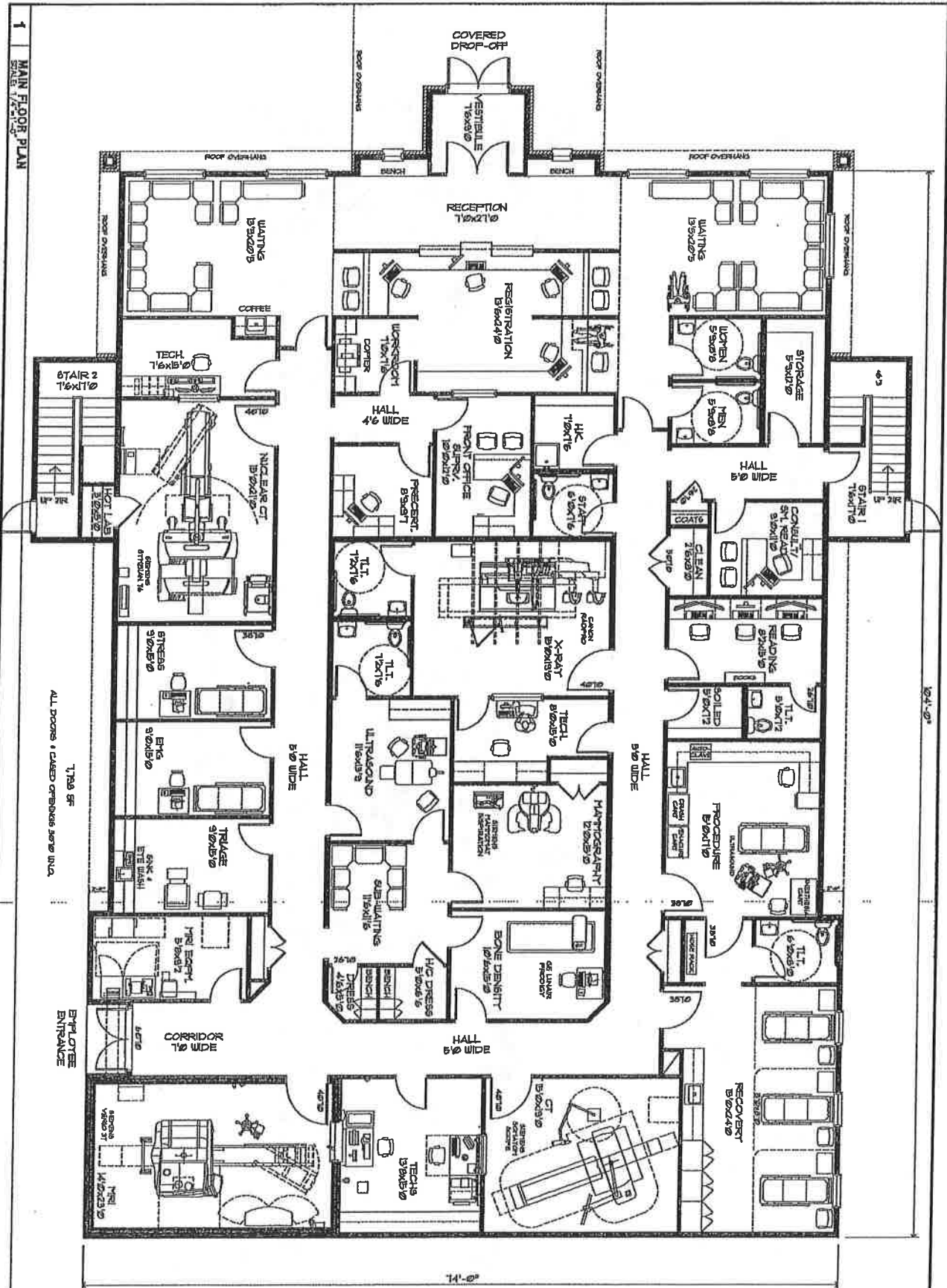
1) Present zoning classification B-4.
 2) Area subdivided by this plat is 2.37 acres.
 3) This plat subdivides the property described in Deed Book 3913, Page 158.
 4) This subdivision has been developed according to the Subdivision Regulations of the City of Chattanooga.
 5) Tax Parcel Number 1582-6-014.
 6) Owner is Tennessee American Water Company.
 7) Street names are Chickasaw, Seneff.
 8) Street address 600.
 9) City Ordinance 99902 entitled "Stormwater Runoff and Erosion Control" shall apply to any discharge of water from this subdivision of property.



ATTACHMENT B.IV

Floor Plan

1 MAIN FLOOR PLAN
SCALE: 1/4"=1'-0"



ALL DOORS : CASED OPENINGS 3/8" UNL.

EMPLOYEE
ENTRANCE

MAIN FLOOR PLAN

A-1

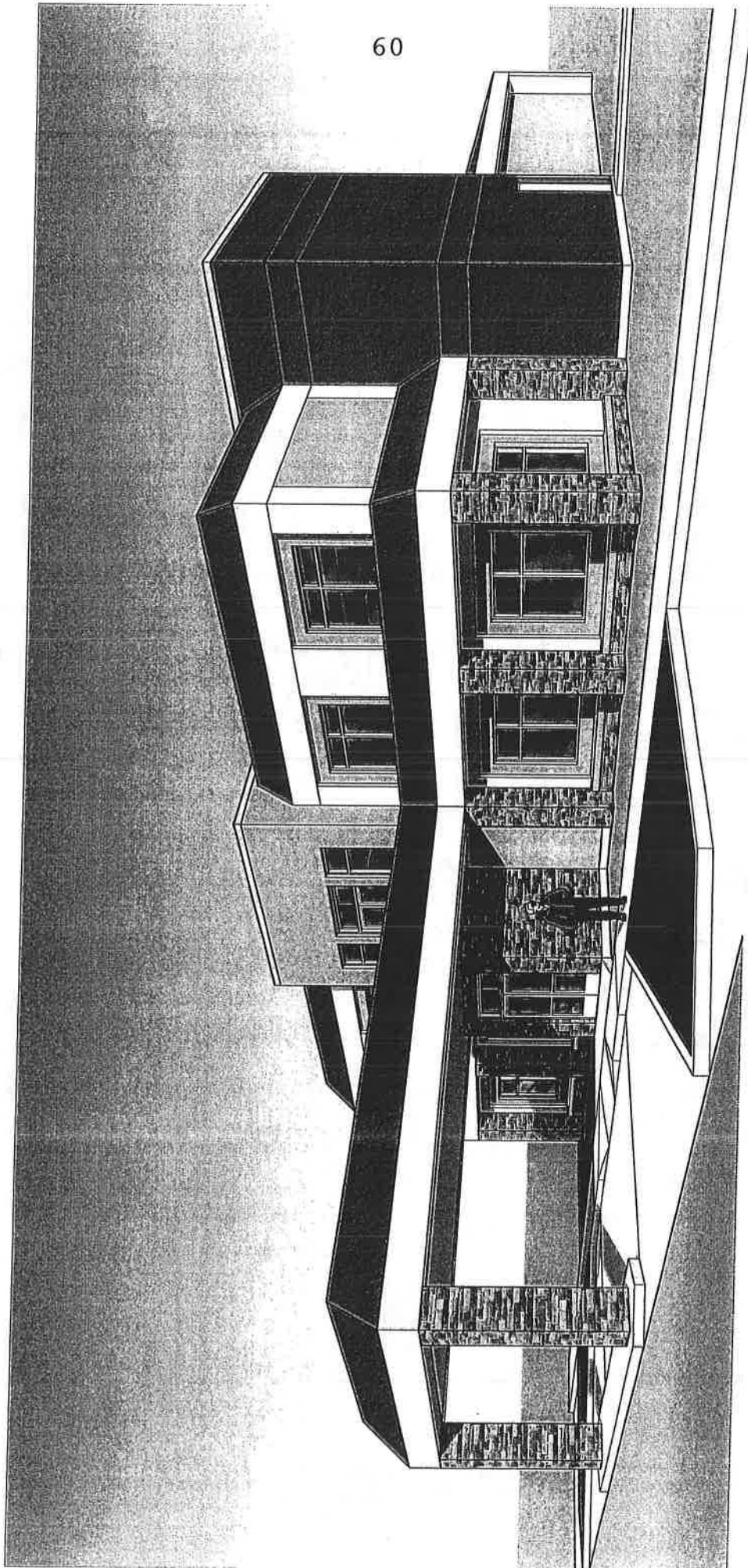
NEW MEDICAL OFFICE BUILDING FOR
TENNESSEE IMAGING
& Vein Center
1604 GUNBARREL ROAD
CHATTANOOGA, TN

 PO BOX 4253
CLEVELAND, TN 37317
F422432.0954
w@wrightarchitect.com

PO BOX 4253
CLEVELAND, TN 37320
PA22143LD954
intecorp@aol.com

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PRELIMINARY
NOT FOR
CONSTRUCTION



ATTACHMENT C. NEED. 1

Support Letters from Referral Sources



Chattanooga Bone and
Joint Surgeons, P.C.

Specialists in Orthopaedic
Surgery and Sports
Medicine

Martin H. Redish, MD
David Bruce, MD
Peter J. Lund, MD
David M. Lowry, DO
Jeremy Bruce, MD
Ryan Gilliland, PA-C

In Memoriam
Bruce Short, MD

Main Office & Mailing
Address:

1809 Gunbarrel Road
Suite 101
Chattanooga, TN 37421

2205 McCallie Avenue
Suite 102
Chattanooga, TN 37404

164 Walnut Church Road
Dayton, TN 37321-5915

Phone
423-893-9020

Billing
423-648-0250

Fax
423-893-9040

cbjsonline.com

December 9, 2015

Tennessee Health Service and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Support for Application for CON of Diagnostic Radiology Consultants,
P.A.

To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Vein and Imaging Center ("TIVC") from its current location at 1949 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in orthopaedic surgery, when appropriate, our physicians refer patients to TIVC for diagnostic radiology services, including MRI services. Our physicians rely upon the quality of service and care at TIVC and anticipate that MRI and other services offered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. We understand as well that costs to our patients will not be increased as a result of the relocation.

As a result, I W. David Bruce, MD as that the CON application be granted.

Sincerely Yours,

W. David Bruce, MD

DB:AK



Women's
Institute
for
Specialized
Health, PLLC

63

Erlanger East Campus
1751 Gunbarrel Road, Ste 200
Chattanooga, TN 37421
(423) 894-1355
Fax (423) 899-8066

www.wishdocs.com

December 7, 2015

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Support for Application for CON of Diagnostic Radiology Consultants, P.A.

To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Imaging and Vein Center ("TIVC") from its current location at 1949 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in OB/GYN, when appropriate, our physicians refer patients to TIVC for diagnostic radiology services, including MRI services. Our physicians rely upon the quality of service and care at TIVC and anticipate that MRI and other services offered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. We understand as well that costs to our patients will not be increased as a result of the relocation.

As a result, we ask that the CON application be granted.

Sincerely yours,

Diane Skinner
Office Manager
Women's Institute for
Specialized Health

Tiffany P. Few, MD
Donna K. Hobgood, MD
James Bolton, MD

Tiffany P. Few, MD
Donna K. Hobgood, MD
James Bolton, MD



Center For Comprehensive Medicine
Dr. Carlton Vollberg
1608 Gunbarrel Rd. Suite 102
Chattanooga, TN 37421
Phone (423) 296-0382 Fax (423) 933-1596

December 7, 2015

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tn 37243

RE: Support for Application for CON of Diagnostic Radiology Consultants, P.A.

To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Imaging and Vein Center ("TIVC") from its current location at 1949 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in Internal Medicine, when appropriate, our physicians refer patients to TIVC for diagnostic radiology services, including MRI services. Our physicians rely upon the quality of service and care at TIVC and anticipate that MRI and other services offered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. We understand as well that costs to our patients will not be increased as a result of the relocation.

As a result, Carlton M. Vollberg DO asks that the CON application be granted.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Carlton Vollberg'.

Carlton Vollberg, D.O., P.C.

Fax letter to 423-855-4317



BATTLEFIELD ORTHOPEDICS, PC

7011 Shallowford Road
Suite 106
Chattanooga, TN 37421

(423) 826-8585
Fax (423) 826-8588

John A. Gracy, M.D., FAAOS
KNEE, SHOULDER AND SPORTS MEDICINE
KNEE REPLACEMENT
ARTHROSCOPIC SURGERY

12/8/15

Tennessee Health Service and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Support for Application for CON of Diagnostic Radiology Consultants, P.A.

To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Imaging and Vein Center ("TIVC") from its current location at 1949 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in Orthopedics, when appropriate, I refer patients to TIVC for diagnostic radiology services, including MRI services. I rely upon the quality of service and care at TIVC and anticipate that MRI and other services offered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. I understand as well that costs to our patients will not be increased as a result of the relocation.

As a result, I John A. Gracy M.D. ask that the CON application be granted.

Sincerely yours,

John A. Gracy M.D., FAAOS

JAG/td



Chiropractic Orthopedics & Rehab

Dr. Nicholas J. Circolone, F.A.C.O.

7446 Shallowford Rd Suite
108
Chattanooga TN, 37421
Office: (423) 855-7376
Fax: (423) 855-8455
Web: applerehabgroup.com

12/7/15

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Support for Application for CON of Diagnostic Radiology Consultants, P.A.
To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Imaging and Vascular Center (TIVC) from its current location at 1040 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in Chiropractic and Orthopedics, when appropriate, our physicians refer patients to TIVC for diagnostic radiology services, including MRI services. Our physicians rely upon the quality of service and care at TIVC and anticipate that MRI and other services rendered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. We understand as well that costs to our patients will not be increased as a result of the relocation.

DR. NICHOLAS J. CIRCOLONE

As a result, I _____ ask that the CON application be granted.

Sincerely yours,

GALEN

MEDICAL GROUP

12/7/2015

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Support for Application for CON of Diagnostic Radiology Consultants, P.A.

To Whom It May Concern:

This letter is provided in support of the application of Diagnostic Radiology Consultants, P.A. for a certificate of need with respect to the proposed relocation of MRI services in its Tennessee Imaging and Vein Center ("TIVC") from its current location at 1949 Gunbarrel Road, Chattanooga, Tennessee to 1604 Gunbarrel Road, Chattanooga, Tennessee, and the establishment of TIVC as an Outpatient Diagnostic Center. As a physician medical practice specializing in Internal Medicine, when appropriate, our physicians refer patients to TIVC for diagnostic radiology services, including MRI services. Our physicians rely upon the quality of service and care at TIVC and anticipate that MRI and other services offered at the new location will greatly benefit our patients as the new location will be easier to access and include state of the art technology improving the quality of MRI and other services available. We understand as well that costs to our patients will not be increased as a result of the relocation.

As a result, I Keith Helton, MD ask that the CON application be granted.

Sincerely yours,


David K. Helton, MD

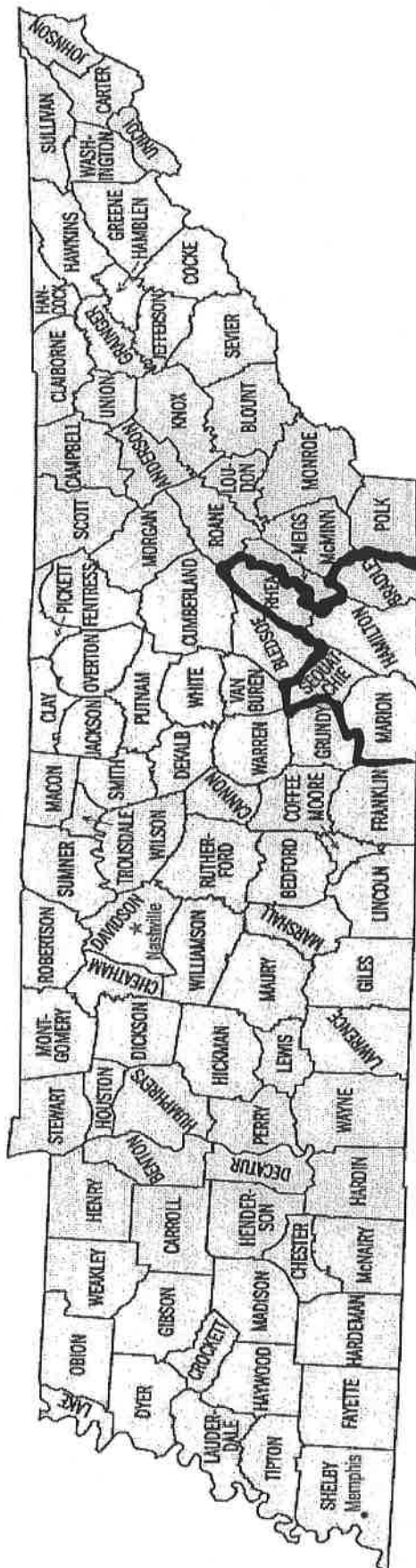
Wisdom. Compassion. Integrity.

Galen Internal Medicine & Pediatrics • 1651 Gunbarrel Road, Suite 302 • Chattanooga, Tennessee 37421
423-899-2904 • FAX 423-892-5058
www.galenmedical.com

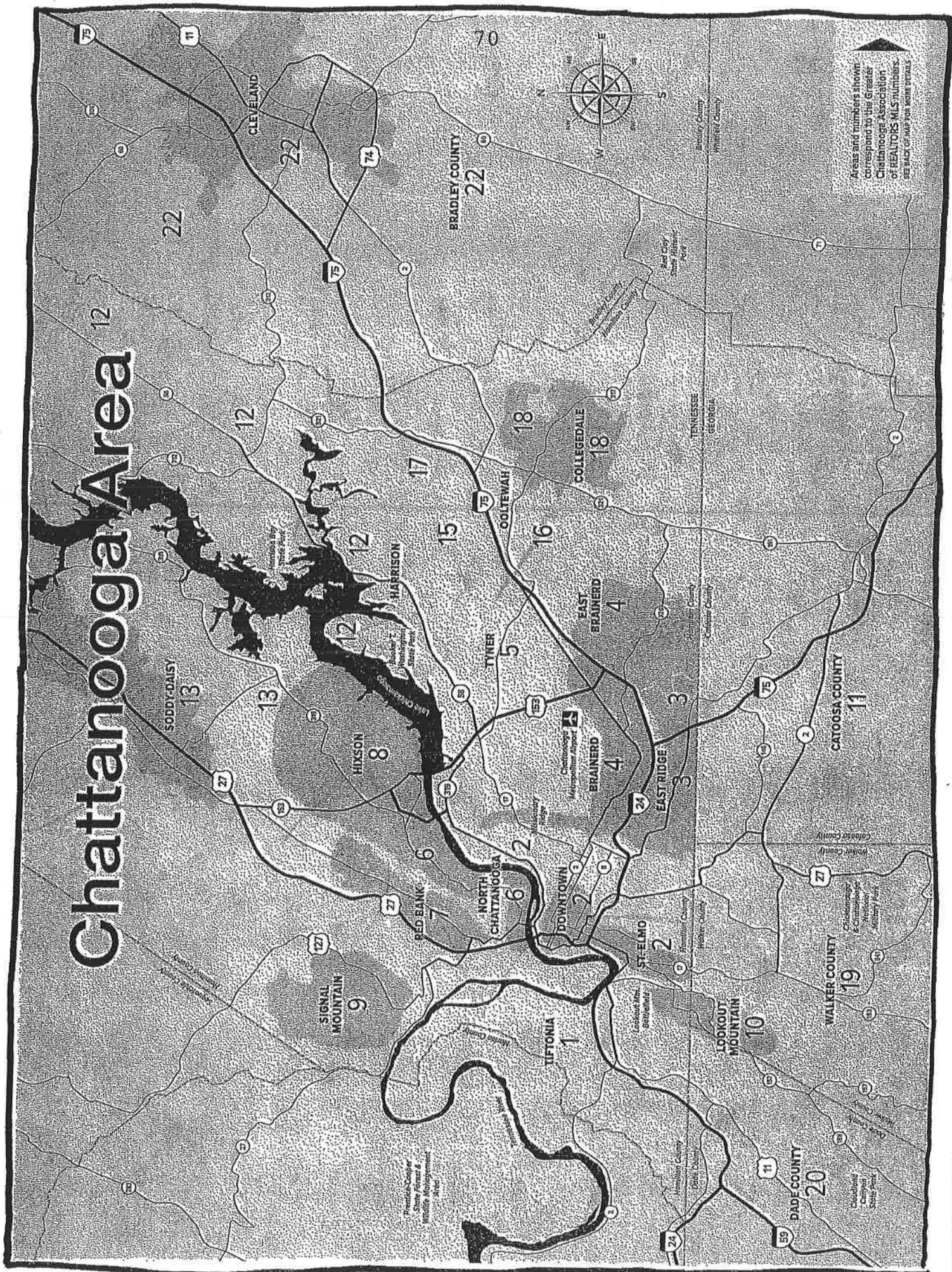
16542_00/1504/JLC-2401430_1

ATTACHMENT C. NEED. 3

Service Area Map



Chattanooga Area



Areas and numbers shown correspond to the Greater Chattanooga Association of REALTORS' MLS numbers. SEE BACK OF MAP FOR MORE DETAILS.

ATTACHMENT C. ECONOMIC FEASIBILITY. 2

Funding Commitment Letter



December 9, 2015

Ms. Melanie M. Hill
Tennessee Health Services and Development Agency
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Funding Support for Certificate of Need Application for Diagnostic Radiology Consultants, P.A.

Dear Ms. Hill,

Diagnostic Radiology Consultants, P.A. ("DRC") has internal funds available for the CON project to relocate its existing Magnetic Resonance Imaging service to a new location and to establish its Tennessee Imaging and Vein Center as an outpatient diagnostic center. The project has an approximate cost of \$5,639,646.02, including a fair market lease for an initial period of ten years. DRC is committed to this project and will advance funds as necessary to complete it.

Sincerely,

Garth McPherson, M.D.
Vice President

ATTACHMENT C. ECONOMIC FEASIBILITY. 6(B)

Comparison of Charges

MRI

County	Type	Provider	Utilization				Total Gross Charges				Average Gross Charge			
			2012	2013	2014		2012	2013	2014		2012	2013	2014	
Bradley	Imaging Center	Cleveland Imaging	0	0	3874		0	0	0		0	0	0	
Bradley	Hospital	Skyridge Medical Center	2499	2802	2261		\$ 12,469,320	\$ 12,657,737	\$ 13,334,553		\$ 4,987	\$ 5,499	\$ 5,898	
Bradley	Hospital	Skyridge Medical Center Westside	2493	1818	1370		\$ 12,205,939	\$ 9,739,510	\$ 7,892,497		\$ 4,896	\$ 5,357	\$ 5,761	
Hamilton	Physician's Office	Chattanooga Bone & Joint Surgeons	1021	841	350		\$ 1,487,600	\$ 1,223,500	\$ 506,400		\$ 1,457	\$ 1,455	\$ 1,447	
Hamilton	Imaging Center	Chattanooga Imaging Downtown	2035	1540	1935		\$ 3,541,892	None Reported	\$ 4,019,162		\$ 1,740	\$ -	\$ 2,077	
Hamilton	Imaging Center	Chattanooga Imaging East	2850	2822	2869		None Reported	None Reported	\$ 6,165,024		\$ -	\$ -	\$ 2,149	
Hamilton	Imaging Center	Chattanooga Imaging Hixson	2230	2386	2368		None Reported	None Reported	\$ 4,832,505		\$ -	\$ -	\$ 2,041	
Hamilton	Physician's Office	Chattanooga Orthopaedic Group	5332	5340	7004		\$ 7,276,818	\$ 6,730,975	\$ 7,614,839		\$ 1,365	\$ 1,260	\$ 1,087	
Hamilton	Imaging Center	Chattanooga Outpatient Center	6465	7292	8659		\$ 11,394,899	\$ 12,679,035	\$ 14,570,487		\$ 1,763	\$ 1,739	\$ 1,683	
Hamilton	Hospital	Erlanger East Campus	704	568	832		\$ 2,284,431	\$ 1,869,045	\$ 2,810,059		\$ 3,245	\$ 3,291	\$ 3,377	
Hamilton	Hospital	Erlanger Medical Center	10915	11558	12950		\$ 38,249,369	\$ 40,630,903	\$ 46,084,777		\$ 3,504	\$ 3,515	\$ 3,559	
Hamilton	Hospital	Memorial Hixson	2836	2488	2569		\$ 9,394,206	\$ 8,321,319	\$ 9,384,523		\$ 3,312	\$ 3,345	\$ 3,653	
Hamilton	Hospital	Memorial Hospital	4096	4356	4244		\$ 14,590,468	\$ 15,652,485	\$ 15,950,375		\$ 3,562	\$ 3,593	\$ 3,754	
Hamilton	Hospital	Memorial Ooltewah	1050	1049	1028		\$ 3,487,684	\$ 3,515,998	\$ 3,856,076		\$ 3,322	\$ 3,352	\$ 3,751	
Hamilton	Physician's Office	Neurosurgical Group	1405	1198	1259		\$ -	\$ 1,545,400	\$ 1,549,304		\$ -	\$ 1,290	\$ 1,231	
Hamilton	Hospital	Parkridge East Hospital	919	1024	997		\$ 3,777,476	\$ 4,631,587	\$ 4,800,602		\$ 4,110	\$ 4,523	\$ 4,815	
Hamilton	Hospital	Parkridge Medical Center	2496	2054	2122		\$ 10,301,309	\$ 9,353,946	\$ 10,384,465		\$ 4,127	\$ 4,554	\$ 4,894	
Hamilton	Imaging Center	Tennessee Imaging & Vein Center	3074	3165	3113		\$ 5,330,104	\$ 5,520,484	\$ 5,410,049		\$ 1,734	\$ 1,744	\$ 1,738	
Marion	Hospital	Parkridge West Hospital	953	884	558		\$ 3,665,892	\$ 3,628,603	\$ 2,604,519		\$ 3,847	\$ 4,105	\$ 4,668	
Rhea	Hospital	Rhea Medical Center	1530	1481	1495		\$ 1,846,095	\$ 1,809,206	\$ 1,823,113		\$ 1,207	\$ 1,222	\$ 1,219	

Comparison of TIVC MRI charges and Medicare allowable fee schedule by CPT code**MAGNETIC RESONANCE ANGIOGRAPHY (MRA)**

SITE	CPT	Medicare	TIVC
		Approved Amount	Amount
Abdomen W/WO	74185	369.62	1103.00
Arm W/WO	73225	369.87	1104.00
Chest W/WO	71555	365.14	1090.00
Head W/O	70544	315.68	1069.00
Head W	70545	352.60	1053.00
Head W/WO	70546	521.60	1635.00
Leg W or WO	73725	369.69	1104.00
Neck W/O	70547	315.49	1074.00
Neck W	70548	377.31	1126.00
Neck W/WO	70549	521.60	1642.00
Pelvis W/O	72198	368.85	1100.00
Spine W/WO	72159	382.58	1142.00

MAGNETIC RESONANCE IMAGING (MRI)**Diagnostic**

3-D Rendering W/O postprocess	76376	21.12	88.00
3-D Rendering W postprocess	76377	60.31	180.00
not Requiring Independent Workstation	76376	21.12	88.00
Requiring Independent Workstation	76377	60.31	180.00
Abdomen W/O	74181	305.02	911.00
Abdomen W	74182	416.15	1242.00
Abdomen W/WO	74183	464.99	1388.00
Ankle W/O	73721	216.52	1138.00
Ankle W	73722	349.73	1044.00
Ankle W/WO	73723	432.26	1533.00
Arm W/O	73218	322.68	994.00
Arm W	73219	369.47	1103.00
Arm W/WO	73220	457.75	1366.00
Joint W/O	73221	216.84	700.00
Joint W	73222	346.96	1036.00
Joint W/WO	73223	430.33	1285.00
Brain W/O	70551	212.16	774.00
Brain W	70552	294.36	879.00
Brain W/WO	70553	347.91	1639.00
One Breast	77058	494.19	1475.00
Both Breasts	77059	489.03	1708.00
Chest W/O	71550	328.12	1131.00
Chest W	71551	418.60	1250.00
Chest W/WO	71552	530.82	1585.00

Elbow W/O	73221	216.84	700.00
Face W/O	70540	322.36	978.00
Face W	70542	368.77	1101.00
Face W/WO	70543	451.11	1533.00
Finger Joint W/O	73221	216.84	700.00
Finger Joint W	73222	346.96	1036.00
Finger Joint W/WO	73223	430.33	1285.00
Foot W/O	73718	322.68	996.00
Foot W	73719	370.38	1106.00
Foot Joints W/OI	73721	216.52	1138.00
Foot Joints W	73722	346.96	1044.00
Foot Joints WO/W	73723	432.26	1533.00
Hand W/O	73218	322.68	994.00
Hand W	73219	369.47	1103.00
Hand W/WO	73220	457.75	1366.00
Hand Joints W/WO	73223	430.33	1285.00
Joint			
Lower Extremity W/O	73721	216.52	1138.00
Lower Extremity W	73722	349.73	1044.00
Lower Extremity W/WO	73723	432.26	1533.00
Upper Extremity WO	73221	216.84	700.00
Upper Extremity W	73222	346.96	1036.00
Upper Extremity W/WO	73223	430.33	1285.00
Knee W/O	73721	216.52	1138.00
Knee W	73722	349.73	1044.00
Knee W/WO	73723	432.26	1533.00
Leg W/O	73718	322.68	996.00
Leg W	73719	370.38	1106.00
Leg W/WO	73720	460.66	1375.00
Joint W/O	73721	216.52	1138.00
Joint W	73722	349.73	1044.00
Joint W/WO	73723	432.26	1533.00
Neck W/O	70540	322.36	978.00
Neck W	70542	368.77	1101.00
Neck W/WO	70543	451.11	1533.00
Orbit W/O	70540	322.36	978.00
Orbit W	70542	368.77	1101.00
Orbit W/WO	70543	451.11	1533.00
Pelvis W/O	72195	328.44	1027.00
Pelvis W	72196	376.78	1125.00
Pelvis W/WO	72197	464.02	1385.00
Spine			
Cervical W/O	72141	206.03	783.00
Cervical W	72142	297.72	889.00
Cervical W/WO	72156	349.85	1044.00
Lumbar W/O	72148	205.06	845.00
Lumbar W	72149	294.17	878.00

Lumbar W/WO	72158	348.61	1041.00
Thoracic W/O	72146	206.03	1420.00
Thoracic W	72147	295.78	883.00
Thoracic W/WO	72157	350.55	1046.00
Temporomandibular Joint (TMJ)	70336	293.80	877.00
Toe W/O	73721	216.52	1138.00
Toe W	73722	349.73	1044.00
Toe W/WO	73723	432.26	1533.00
Wrist W/O	73221	216.84	700.00

ATTACHMENT C. ECONOMIC FEASIBILITY. 9

Participation in state and federal revenue programs

Tennessee Imaging and Vein Center

Payer	Payer Type	Total Procedures	Chg Amt	Adj Amt	Pay Amt	Balance	2015 Annual Revenue (Estimated)
AMERIGROUP	Medicaid	59	\$48,906.00	\$13,572.84	\$2,410.16	\$32,923.00	\$4,820.32
Blue Care of TN	Medicaid	126	\$86,154.04	\$50,034.32	\$27,453.21	\$8,666.51	\$54,906.42
AMERICHoice	Medicare	4	\$1,699.00	\$0.00	\$0.00	\$1,699.00	\$0.00
HealthSprings	Medicare	106	\$71,055.15	\$39,337.31	\$14,677.51	\$17,040.33	\$29,355.02
HUMANA GOLD	Medicare	55	\$47,096.67	\$32,793.84	\$10,883.81	\$3,419.02	\$21,767.62
Medicare	Medicare	371	\$1,027,806.33	\$625,409.83	\$225,601.72	\$176,794.78	\$451,203.44
WPS VACAA	VA	2	\$3,460.00	\$0.00	\$0.00	\$3,460.00	\$0.00
ONE CALL MEDICAL	Work Comp	42	\$51,775.80	\$30,019.94	\$17,052.82	\$4,703.04	\$34,105.64
SPREMO	Work Comp	1	\$170.00	\$78.64	\$91.36	\$0.00	\$182.72
Total		707	\$1,338,122.99	\$791,246.72	\$298,170.59	\$248,705.68	\$596,341.18

Total Annualized Revenue (All payers)

\$2,856,233.22

Total Governmental Revenue

\$596,341.18

Percentage Governmental Revenue

21%

ATTACHMENT C. ECONOMIC FEASIBILITY. 10

Financial Information

81
Tennessee Imaging and Vein Center
Balance Sheet
As of September 30, 2015

	Sep 30, 15	Aug 31, 15
ASSETS		
Current Assets		
Checking/Savings		
CM - Sweep #9-1540	122,302.79	204,610.79
CM - Operating #1540	(750.00)	0.00
CM - Accounts Payable #1557	0.00	(81,921.01)
CM - Refund #1565	(55.47)	(1,277.58)
Total Checking/Savings	121,497.32	161,412.20
Other Current Assets		
Due from DRC Professional	284,554.96	142,800.17
Total Other Current Assets	284,554.96	142,800.17
Total Current Assets	406,052.28	293,712.37
Fixed Assets		
Furniture & Fixtures	9,944.16	9,944.16
Total Fixed Assets	9,944.16	9,944.16
TOTAL ASSETS	415,996.44	303,656.53
LIABILITIES & EQUITY		
Equity		
Retained Earnings	(210,583.30)	(210,583.30)
Net Income	626,579.74	514,239.83
Total Equity	415,996.44	303,656.53
TOTAL LIABILITIES & EQUITY	415,996.44	303,656.53

Tennessee Imaging and Vein Center Profit & Loss Budget Performance

August through September 2015

	Aug 15	Sep 15	YTD Actual	YTD Budget	\$ Over Budget	Variance %
Ordinary Income/Expense						
Income						
Global Collections	183,885.95	227,724.40	2,482,273.69	2,887,598.00	(406,324.31)	
Professional Interps	0.00	(52,898.43)	(689,822.91)	(744,523.00)	104,700.09	
Refunds	(1,487.78)	(278.74)	(15,874.74)	(29,733.00)	13,858.26	
Space Sub-Lease Revenue	3,700.03	2,800.03	19,375.21			
Unreconciled Revenue	84,249.68	87,215.07	395,975.59	0.00	395,975.59	
Total Income	250,347.88	274,562.33	2,241,926.84	2,113,342.00	128,584.84	6.08%
Expense						
EQUIPMENT EXPENSES						
Equipment Leases	976.09	813.23	4,331.78	2,295.00	2,036.78	
Equipment Maintenance	3,386.64	4,279.34	128,196.04			
Interest Expense	0.00	0.00	308.18	800.00	(491.82)	
Leases - Operating	0.00	0.00	0.00			
Maintenance Contracts	7,825.31	8,047.71	124,897.05	176,103.00	(51,205.95)	
Total EQUIPMENT EXPENSES	12,187.98	11,140.28	255,733.05	179,198.00	76,535.05	42.71%
FACILITY COSTS						
Accreditation Fees	0.00	0.00	1,475.00			
Dues & Subscriptions	328.36	242.50	859.18	270.00	589.18	
Laundry & Linen	1,697.06	1,762.81	15,421.24	17,460.00	(2,038.76)	
Medical Supplies	29,330.55	27,454.28	226,808.89	345,597.00	(118,788.11)	
Office Expense	2,280.87	21.84	4,720.36			
Office Supplies	(464.30)	1,840.71	10,356.25	21,490.00	(11,133.75)	
Radiation Physicist	0.00	600.00	2,780.80	2,700.00	0.00	
Rent Expense	18,328.40	18,328.40	164,955.60	164,952.00	3.60	
Repairs & Maintenance	0.00	486.00	2,226.99	1,980.00	246.99	
RIS/PACS	24,423.00	22,803.50	227,892.50	256,551.00	(28,658.50)	
Telephone	7,760.08	5,335.02	34,370.85	17,910.00	16,460.85	
Uniforms	0.00	100.00	100.00			
Total FACILITY COSTS	83,664.02	78,874.86	681,886.91	828,910.00	(137,023.09)	16.53%
GENERAL OVERHEAD EXPENSES						
Continuing Education	0.00	0.00	295.35	270.00	25.35	
Banking Expense	310.85	342.65	1,577.15			
Billing Expense	11,473.63	5,922.65	64,477.00	95,745.00	(31,268.00)	
Business Insurance	0.00	0.00	3,505.20	45,990.00	(42,484.80)	
Employee Reimbursement Expenses	24.86	0.00	1,114.10			
Finance Charges	(58.00)	0.00	57.42			
Gifts	0.00	0.00	12.00			
Late Fees	20.16	0.00	76.32			
Marketing	3,421.50	13,100.90	39,827.45	47,455.00	(7,627.55)	
Meals & Entertainment						
50% Deductible M&E	0.00	0.00	219.19			
100% Deductible M&E	(617.46)	0.00	(58.50)			
Meals & Entertainment - Other	0.00	0.00	0.00	1,170.00	(1,170.00)	
Total Meals & Entertainment	(617.46)	0.00	160.69	1,170.00	(1,009.31)	

Tennessee Imaging and Vein Center Profit & Loss Budget Performance

August through September 2015

	Aug 15	Sep 15	YTD Actual	YTD Budget	\$ Over Budget	Variance %
Merchant Fees	0.00	0.00	2,959.41	6,480.00	(3,520.59)	
Taxes & Licenses	0.00	38.00	2,398.67	3,150.00	(751.33)	
Travel & Lodging	74.00	204.53	107.18	990.00	(882.82)	
Total GENERAL OVERHEAD EXPENSES	14,649.54	19,608.73	116,568.03	201,250.00	(84,681.97)	42.08%
STAFF EXPENSES						
Leased Employees	39,864.60	41,125.00	429,689.79	428,553.00	1,136.79	
Fringe Benefits	11,959.38	12,337.59	136,803.17	128,565.00	8,238.17	
Total STAFF EXPENSES	51,823.98	53,462.59	566,492.96	557,118.00	9,374.96	1.70%
Total Expense	162,325.62	162,786.76	1,630,780.95	1,766,476.00	(135,695.05)	7.68%
Net Ordinary Income	88,022.36	111,775.57	611,145.89	346,886.00	264,279.89	76.19%
Other Income/Expense						
Other Income						
Interest Income	7.53	14.34	141.79			
Other Income	679.00	550.00	15,292.06	31,800.00	(16,507.94)	
Total Other Income	686.53	564.34	15,433.85	31,800.00	(16,366.15)	
Other Expense						
Ask WCA	0.00	0.00	0.00			
Total Other Expense	0.00	0.00	0.00			
Net Other Income	686.53	564.34	15,433.85	31,800.00	(16,366.15)	
Net Income	88,708.89	112,339.91	626,579.74	378,686.00	247,913.74	65.47%

SUPPLEMENTAL #1

CHAMBLISS**CHAMBLISS, BAHNER & STOPHEL, P.C.**

Liberty Tower
605 Chestnut Street, Suite 1700
Chattanooga, TN 37450
(423) 756-3000
chamblisslaw.com



December 21, 2015

VIA FEDERAL EXPRESS

Jeff Grimm
Health Examiner
Tennessee Health Services and Development Agency
502 Deaderick Street
Andrew Jackson Building, 9th Floor
Nashville, TN 37243

Re: Diagnostic Radiology Consultants' Supplemental Responses – CN1512-058

Dear Mr. Grimm:

Enclosed please find in triplicate the responses to your supplemental questions dated December 16, 2015, relating to the Certificate of Need Application submitted by Diagnostic Radiology Consultants, P.A. ("DRC").

Respectfully,


James L. Catanzaro, Jr.

Enclosure



1. Section A, Applicant Profile, Item 6

The December 7, 2015 lease commitment letter signed by James Busen, President, Imaging Land Holdings, LLC is noted.

Given the use of the applicant's name in the letterhead of this document, what relationship, if any, exists between the lessor and the applicant? Please clarify.

Response: Applicant Diagnostic Radiology Consultants, P.A. ("DRC") and Lessor Imaging Land Holdings, LLC share certain shareholders, including James Busch. However, the entities are legally distinct and otherwise unrelated.

A signature by an authorized representative for the applicant is missing from the commitment letter. Please revise or provide an addendum that documents the applicant's acceptance/agreement with the terms and conditions noted.

Response: Please see an addendum attached hereto as Supplemental Attachment A.6.

Who is the owner of the recently constructed building that will house the applicant's proposed ODC with MRI? If different than the Lessor (Imaging and Land Holdings, LLC), please discuss the relationship between the parties.

Response: The owner of the building that will be constructed and will house DRC's proposed ODC is the Lessor, Imaging Land Holdings, LLC.

In your response, please also document ownership of the property in the form of a title, deed or copy of tax record from the Hamilton County Assessor's Office.

Response: Please see the recorded warranty deed, attached hereto as Supplemental Attachment A.6.

2. Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B

The response is noted. Will professional fees for MRI interpretation services by the 3 board-certified radiology staff members of TIVC be reimbursed by the applicant? If the radiologists will be billing separately using their own provider certification/registration numbers, what assurances apply such that the radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

Response: DRC bills a global fee for professional and technical services rendered at TIVC. Professional fees incurred by radiologists serving TIVC will be paid by DRC. To clarify the radiology staffing, DRC has three radiologists

who provide on-site coverage for TIVC. However, TIVC consults with an additional seven radiologists on occasion, particularly as the need for certain radiology subspecialties may arise. The radiologists do not bill separately using their own provider number. DRC bills a global fee for all services provided at TIVC.

3. Section B, Project Description, Item II (Executive Summary of the Project)

Of the reasons discussed on page 5 for establishing and seeking licensure by the as an ODC by the Tennessee Department of Health, are there potential economic benefits of same, such as improved reimbursement rates as a result of adding a facility/technical fee? Please briefly discuss.

Response: DRC does not anticipate any change in reimbursement rates, technical fees, or patient costs as a result of obtaining licensure as an ODC, and ODCs are not entitled to a facility fee. As noted, the reason for seeking ODC designation is primarily to bring TIVC's operations into greater harmony with DRC's other affiliated businesses and the current market environment.

Since issued, the name of the medical group and the location of the approved MRI service have changed (from 1949 Gunbarrel Road, Suite 310 as approved in CN9608-057A to current address at 1949 Gunbarrel Road, Suite 170). Please provide a brief description that offers some background about the changes.

Response: DRC was originally located in Suite 310 at the Memorial Atrium complex. In approximately 2002, DRC leased space in Suite 170 of the same medical complex, and at the same address, in order to accommodate an upgraded 1.5 Tesla magnet (its current magnet).

Discussion of the applicant medical group is noted. Please also provide some additional background information such as current number of practicing physicians, medical specialties, estimated total registered patients as of 12/1/2015, and locations of applicant's offices in Hamilton County and other counties included in the service area of the project.

Response: DRC utilizes a total of 10 radiologists, 3 of which provide on-site coverage for TIVC (at least one radiologist is on site at any given time) and the remainder of which provide consultation for TIVC as needed. The medical specialties of the physicians include: Diagnostic Radiology, Vascular and Interventional Radiology, Musculoskeletal Radiology, Nuclear Medicine, Neuroradiology, Orthopedic Radiology, and Head and Neck Imaging. The estimated total registered patients as of 12/1/2015 for DRC is 47,915.

In addition to TIVC, DRC leases space and operates x-ray machines at the following locations:

City of Chattanooga, WellAdvantage
620 E 11th Street
Chattanooga, TN 37403

Hamilton County Employee Health Center
455 North Highland Park
Chattanooga, TN 37404

Ortho South
979 East 3rd Street
Chattanooga, TN 37404

SUPPLEMENT

4. Section B, Project Description, Item II.A. and Item II.E

Item II.A - The layout of the 2-story new building that will house the ODC with MRI is noted. Will the landlord/lessor be responsible for the costs of shelling out the building for further modifications by the applicant in accordance with the facility's intended use as an ODC with MRI? If so, is a tenant improvement allowance available to help offset the applicant's costs with same? Please briefly discuss. In your response, please also note any unique/special modifications and costs that will be related to structural support and safety shielding for the installation of the proposed ODC's replacement MRI unit.

Response: The new building that will house the ODC is being constructed to accommodate an ODC with MRI and will not require any further modifications by the applicant. Therefore, there is no tenant improvement allowance for DRC. No additional costs are necessary for structural support and safety shielding for the replacement MRI unit.

Based on the comments provided on page 11 (Project Specific Criteria-ODC) and page 18, it appears construction of the new 2-story building will be completed in August 2016 and the applicant will relocate in September 2016. As such, please provide a brief overview of the building's construction process pertaining to the major phases & timelines of the process such as issuance of construction permit, site prep, foundation, structural, finish, etc.

Response: Imaging Land Holdings, LLC anticipates that the building permit will be secured and the site preparation completed early in 2016 with construction beginning immediately thereafter. Construction is anticipated to be 40% complete by May 2016, 80% complete by July 2016, and approved for occupancy in August or September 2016.

Please describe the dedicated space in the new building intended exclusively for the applicant's existing MRI unit and note any major changes or improvements from the MRI service's current space at 1949 Gunbarrel Road.

Response: The new building contains a room designated for DRC's MRI unit. The new building generally is, as described in the CON application, a more easily accessible and modern facility than TIVC's current location. The dedicated MRI space, however, will not be otherwise significantly different from its space at the current location. The new building will contain a significantly larger and improved space for the technicians operating the MRI and CT machines.

Item II.E.1

Based on the comments in this section and page 9 of the application, it appears that the applicant plans to replace TVIC's existing 1.5 Tesla MRI unit with an upgraded unit, subject to CON approval of the project. As such, please describe the replacement unit in more detail noting name of manufacturer & model, Tesla strength, year manufactured, remaining useful life, etc.

Response: The replacement MRI unit will be a Seimans RS Magnetom Verio A Tim+ Dot System. It is a 3 Tesla magnet manufactured in 2010. No sunset date for the system has been established. Attached hereto as Supplemental Attachment B.II(E)(1) is a letter from Siemens confirming this information, documentation of FDA approval, and a list of clinical applications to be provided.

Item II.E.3.

The vendor's quote documenting the cost of the replacement MRI unit was omitted from the referenced attachment. Please provide a vendor quote containing a description of the unit and the purchase price, inclusive of taxes, shipping costs, warranty information, etc. Please note that the vendor quote must be valid on the date of the hearing of the application by the HSDA Board Members.

Response: Please see the vendor quote attached hereto as Supplemental Attachment B.II(E)(3). Warranty information is included in the Siemens letter attached at Supplemental Attachment B.II(E)(1).

The vendor's 9/23/2015 service agreement addendum in the attachment identified an annual cost of \$28,904 following expiration of the warranty for the MRI unit. Please explain how this amount relates to the \$447,387.30 total equipment service costs reflected in the Project Costs Chart on page 20.

Response: The \$447,387.30 listed on the Project Costs Chart includes the MRI service agreement (ten years minus the one year warranty) for the anticipated MRI upgrade as well as the service agreements for the anticipated mammogram and CT upgrades.

5. Section C, Need, Item 1 (Project Specific Criteria)

The response is noted. It would be helpful to format each response to the specific criteria for Outpatient Diagnostic Centers that is illustrated in the Guidelines for Growth. Please revise the response on pages 11 and 12 of the application and submit replacement pages labeled 11-R and 12-R.

Response: Please see the attached replacement pages. Reformatting resulted in additional pages, and therefore the revised pages are labeled 11-R through 14-R attached hereto as Supplemental Attachment C.Need.1.

To complement the applicant's utilization identified on pages 11 and 12, please complete the table below.

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
MRI Procedures	3074	3165	3113	1.3%	2884	2989	3115
as a % of 2,880 MRI standard	106.7%	109.9%	108.1%	1.3%	100.1%	103.8%	108.2%

Please describe the proposed ODC's arrangements for on-site physician supervision and hospital emergency transfer agreements. In your response, please include the names of the hospital(s) and their distance from the new facility.

Response: DRC anticipates obtaining a hospital emergency transfer agreement with Erlanger Health System. The Erlanger East location, with an emergency room, is just .3 miles from the new facility. For on-site physician supervision, TIVC has at any time at least one radiologist on-site, with additional radiologists available for consultation.

6. Section C, Need, Item 3

The proposed Primary Service Area is noted.

Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

Response: The table below for 2014 is complete. Pursuant to communications with Alecia Craighead and Jeff Grimm, column one and two seek the same information, and therefore we have not completed column one. DRC does not anticipate any significant changes for Year 1 of the project.

Use of Applicant's MRI Service by Residents of 5-County PSA, 2014

County of Residence	Applicant's Total MRI Procedures 2014	PSA Resident Procedures Performed by Applicant 2014	Resident Procedures as a % of Applicant's Total Procedures 2014	Total MRI procedures by County Residents at Provider Sites in County 2014
Hamilton		2080	67%	28,282
Bradley		195	6%	4,222
Marion		56	2%	377
Rhea		27	1%	0 (Rhea Medical Center does not report by County)
Sequatchie		53	2%	0
Total		2411	78%	32,881

Source: TN HSDA Report on the Number of MRI Procedures by Resident County for 2014.

7. Section C, Need, Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

The table is noted. Please expand the information provided by adding the columns indicated in the table below. For assistance or questions, please contact Alecia Craighead, Stat III at 615-253-2782.

Utilization of Existing MRI Providers in Applicant's 5-County PSA

Provider Name	Type (PO, ODC, Hospital, HODC, RPO, H-Imaging)	Current # units (specify if mobile)	Distance from Applicant (in miles)	Use by Residents of PSA in 2014
Provider 1				
Provider 2, etc.				
Total				

Response: Please see the revised chart with the additional columns requested, labeled 16R and 17R, at Supplemental Attachment C.Need.5.

8. Section C, Need, Item 6 (Applicant's Historical and Projected Utilization)

The response is noted. Given the applicant's request to establish an ODC, please include an overview of the proposed ODC's projected utilization for TVIC's imaging services.

In light of the 2,884 projected MRI procedures in 2015 noted on page 5, please explain in more detail the factors that are expected to contribute to the 7% decrease in utilization from 3,112 MRI procedures in 2014.

Response: Because DRC has operated TIVC at its current location since 2006, it does not anticipate any change in utilization for its imaging services by relocating to the new location and obtaining a license to operate as an ODC. Its projected radiology services for 2016 are below:

Total Exams	Projected 2016
Bone density	406
CT	2,286
Mammo	2,794
Sclerotherapy	203
Laser	152
Phlebectomy	152
MRI	2,989
Nuclear Medicine	762
X-ray	2,642
Fluoroscopy	254
Ultrasound	3,251
Followup Vein	25
Liver/Para	305
Total	16,221


 SUPPLEMENTAL

There are several reasons behind the projected decrease in MRI procedures in 2015. First, a physician who referred a significant number of patients to DRC has closed his oncology practice. Second, an orthopedic practice that refers patients to DRC upgraded its own MRI from a .3T to 1.5T, reducing the number of referrals to DRC.

9. Section C, Economic Feasibility Items 1 (Project Costs Chart) and II (Funding)

Item I. - As noted previously, please clarify the cost and service agreement of the MRI unit.

Response: The MRI unit will cost \$1,052,000. The service agreement (beginning after the initial one-year warranty expires) will be purchased at a cost of \$28,904 per year.

Please identify the actual out of pocket cash outlay the applicant expects to support the start-up costs of the project.

Response: The out of pocket cash costs to start the project are as follows:

- One month lease of building: \$19,166.67
- One month lease of new equipment: \$29,010.36
- One month equipment service agreements: \$4,142.47
- Moving costs: \$100,000.00

Total: \$152,319.50

Item II - the funding from the applicant's cash reserves is noted. To help document same, please also provide a copy of the applicant's audited financial statements for the most recent 12-month fiscal year period, if available.

Response: DRC does not have audited financial statements.

**10. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)
Both Charts -**

Please provide a detail or breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. Please use the format provided in Exhibit 1 at the end of this letter.

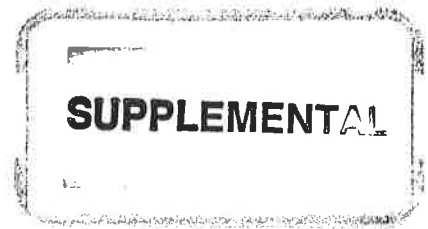
Response: See the breakout of "other expenses," below.

HISTORICAL DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2012</u>	<u>Year 2013</u>	<u>Year 2014</u>
1. Professional interpretation fees	\$992,694	\$981,842.59	\$985,906
2. Refunds	__53,877	__43,122.34	__38,138
3. Benefits	__123,036	__211,225	__317,993
4. Equipment lease and service	__602,285	__424,879	__196,541
5. Dues and Subscriptions	__4,475	__8,122	__321
6. Laundry and Linen	__16,500	__20,591	__23,316
7. Office Supplies	__25,256	__27,535	__21,646
8. Repairs, Maintenance, Utilities	__32,506	__31,387	__26,431
9. Accounting, Legal, Consulting, Banking	__13,038	__9,532	__8,588
10. Insurance	__26,189	__31,150	__61,341
11. Marketing	__27,829	__65,804	__42,515
12. Meals & Entertainment	__992	__863	__1,578
13. Leased Employees	__0	__2,901	__26,910
14. Accreditation	__0	__0	__6,880
15. Travel	__0	__0	__1,277
16. Radiation Physicist Consultant	__2,682	__3,825	__3,400
17. RIS/PACS (Radiology information system / picture archiving & communications systems)	__329,423	__337,779	__327,700
Total Other Expenses	\$2,250,782	\$2,200,558	\$2,090,481

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2016</u>	<u>Year 2017</u>
1. Professional interpretation fees	\$714,405	\$731,124
2. Refunds	__35,839	__40,000
3. Benefits	__183,585	__186,338
4. Equipment lease and service	__257,554	__261,417
5. Dues and Subscriptions	__1,157	__1,175
6. Laundry and Linen	__19,798	__20,095
7. Office Supplies	__19,270	__19,559
8. Repairs, Maintenance, Utilities	__50,213	__50,966
9. Accounting, Legal, Consulting, Banking	__6,172	__6,266
10. Insurance	__4,224	__4,287
11. Marketing	__57,926	__58,795
12. Meals & Entertainment	__410	__416
13. Leased Employees	__0	__0
14. Accreditation	__1,770	__1,797
15. Travel	__129	__131
16. Radiation Physicist Consultant	__3,240	__3,289
17. RIS/PACS (Radiology information system /	__303,013	__307,558



picture archiving & communications systems)

Total Other Expenses

\$1,658,705 \$1,693,213

Absent deductions for the reasons explained by the applicant, how many procedures were provided free of charge to charity patients during the most recent 12-month fiscal year period and how many are anticipated in Year 1? Please clarify.

Response: No procedures were provided free of charge at DRC's TIVC location in 2014, and DRC does not anticipate a significant change for Year 1 of the project.

Given the 3 staff radiologists noted on page 6, it appears that the cost for physicians salaries is missing in Line D.2 of both charts. Please explain.

Response: The costs of physicians' salaries are considered "professional interpretation fees" and are included in the financials as an "other expense." See above at question 10 for a breakdown of the "other expenses."

What is included in the costs for Line 8.b (Fees to Non-Affiliates) in the chart? Please clarify.

Response: The costs in Line 8.b (Fees to Non-Affiliates) of the Historical Data Chart are payments that were made in 2012, 2013, and 2014 to a medical management company. As of mid-2015, DRC is no longer using an outside management company.

Projected Data Chart

Please provide a Projected Data Chart that documents the financial performance of the applicant's proposed Outpatient Diagnostic Center (ODC).

Response: The Projected Data Chart in the CON application documents the projected financial performance of TIVC as a whole, not just its MRI service. DRC has attached at Supplemental Attachment C. Economic Feasibility. 4 a revised page 21 of the CON application, further explaining in item 4 that the projected data chart reflects the utilization, revenue, and expenses for the combined ODC and not just the MRI service. In addition, a revised Projected Data Chart is attached at Supplemental Attachment C. Economic Feasibility. 4,



SUPPLEMENTAL

which reflects as "utilization data" the projected total number of services for the ODC.

Lines D.8 and D.9 of the Projected Data Chart should pertain to expenses for Management Fees and Other Expenses, respectively. Additionally, expenses for Management Fees (Fees to Non-Affiliates) are missing from the Projected Data Chart in contrast to expenses incurred for same in the Historical Data Chart. Please explain. In your response, please revise the Projected Data Chart and submit in a replacement page labeled as 23-R. *Note: even if there are no projected costs for Management Fees, note as "None" in the revised Projected Data Chart.*

Response: As stated above, the costs in Line 8.b of the Historical Data Chart are payments that were made in 2012, 2013, and 2014 to a medical management company for billing and management fees. As of mid-2015, DRC is no longer using an outside management company, but does contract with an affiliated company for billing services.

A revised Projected Data Chart labeled 23-R and 24-R is attached hereto as Supplemental Attachment C. Economic Feasibility. 4. In revising the Projected Data Chart to supplement with a Management Fee line item, it was also noted that certain revenue and expenses were omitted from the original Projected Data Chart filed with the application (the original Historical Data Chart, however, is accurate as originally filed). Therefore, the fully corrected copy of the Projected Data Chart is attached.

11. Section C., Economic Feasibility, Item 6.a.

Review of the Historical Data Chart revealed that the MRI gross charge was approximately \$1,190/procedure in 2014 in lieu of the \$1,738/procedure identified on page 24 of the application. Please clarify. In your response, please revise and submit a replacement page for the application labeled as 24-R.

Response: The Historical and Projected Data Charts include information for all TIVC services, not just MRI, since DRC is requesting through the CON that TIVC be established as an ODC. Therefore, the \$1,190/procedure charge cited in the question is the average gross charge for all radiology services provided at TIVC. The average MRI gross charge in 2014 was \$1,738, as noted in the application; therefore no replacement page 24 is attached.

12. Section C, Economic Feasibility, Item 9

Please show the percentages by payor in Year 1 of the project for the proposed ODC and the MRI service by completing the tables below.



Table 1 - Applicant's Proposed ODC Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	Gross Revenue as a % of total Gross Revenue Year 1
Medicare	\$573,430.37	16%
TennCare	\$107,518.19	3%
Managed care	\$1,971,166.90	55%
Commercial	\$752,627.36	21%
Self-Pay	\$107,518.19	3%
Other	\$71,678.80	2%
Total	\$3,583,939.82	100%

Table 2-Applicant's MRI Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	Gross Revenue as a % of total Gross Revenue Year 1	Average Gross Charge per MRI procedure
Medicare	\$154,826.20	12%	\$1,048.55
TennCare	\$77,413.10	6%	\$1,048.55
Managed care	\$683,815.72	53%	\$1,048.55
Commercial	\$283,848.03	22%	\$1,048.55
Self-Pay	\$25,804.37	2%	\$1,048.55
Other	\$51,608.73	4%	\$1,048.55
Total	\$1,290,218.34	100%	\$1,048.55

13. Section C, Orderly Development, Item 3

The staffing table is noted. Please provide the FTE for the 3 staff radiologists noted on page 6 of the application.

Response: As clarified above, TIVC has three radiologists who provide on-site coverage at TIVC, with at least one radiologist on site at any given time. The FTE for the radiologists is 1.0.

AFFIDAVIT

SUPPLEMENT 1

STATE OF TENNESSEE

COUNTY OF HamiltonNAME OF FACILITY: Diagnostic Radiology Consultants d/b/a
Tennessee Imaging and Vein Center

I, James R. [Signature], after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature] President
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 21st day of December, 2015,
witness my hand at office in the County of Hamilton, State of Tennessee.

Teresa A. Arthur
NOTARY PUBLIC

My commission expires March 25, 2017.

HF-0043

Revised 7/02



SUPPLEMENTAL ATTACHMENT C. Need.S**SUPPLEMENTAL**

**Revised Historical MRI Utilization in DRC's PSA, revising the chart
on Pages 16-17 of the Application**

Hamilton County Providers

Provider	Type	Current # units (2014)	Distance from DRC	Use by Residents of PSA in 2014	2012	2013	2014	% Changed
Chattanooga Bone & Joint Surgeons	PO	1	8 miles	62%	1021	841	350	-65.72%
Chattanooga Imaging Downtown	RPO	2	8.4 miles	79%	2035	1540	1935	-4.91%
Chattanooga Imaging East	RPO	1	.22 miles	80%	2850	2822	2869	.67%
Chattanooga Imaging Hixson	RPO	1	9.7 miles	94%	2230	2386	2368	6.19%
Chattanooga Orthopaedic Group PC	PO	1	6.9 miles	69%	5332	5340	7004	31.36%
Chattanooga Outpatient Center	ODC	2	7.9 miles	71%	6465	7292	8659	33.94%
Erlanger East Campus	HOSP	1	.3 miles	71%	704	568	832	18.18%
Erlanger Medical Center	HOSP	3	10.8 miles	59%	10915	11558	12950	18.64%
Memorial Hixson Hospital	HOSP	2	9.7 miles	94%	2836	2488	2569	-9.41%
Memorial Hospital	HOSP	3	7.5 miles	69%	4096	4356	4244	3.61%
Memorial Ooltewah Imaging Center	H- Imagi ng	1	2.6 miles	90%	1050	1049	1028	-2.10%

SUPPLEMENTAL

Neurosurgical Group of Chattanooga, P.C.	PO	1	10.8 miles	65%	1405	1198	1259	-10.39%
Parkridge East Hospital	HOSP	1	12.3 miles	50%	919	1024	997	8.49%
Parkridge Medical Center	HOSP	1	7.1 miles	20%	2496	2054	2122	-14.98%

Other Counties in PSA

County/Provider	Type	Current #Units (as of 08/15)	Distance from DRC	Use by Residents of PSA in 2014	2012	2013	2014	% Changed
Bradley – Cleveland Imaging	PO	1	23.3 miles	53%	2769	3509	3874	39.91%
Bradley – Skyridge Medical Center	HOSP	1	23.1 miles	78%	2499	2302	2261	-9.52%
Bradley – Skyridge Medical Center Westside	HOSP	2	23 miles	65%	2493	1818	1370	-45.05%
Marion – Parkridge West Hospital	HOSP	1	34 miles	77%	953	884	558	-41.45%
Rhea – Rhea Medical Center	HOSP	1	34.7 miles	Not reported by County	1530	1481	1495	-2.29%

SUPPLEMENTAL ATTACHMENT B.II(E)(1)

Detail of MRI Replacement Unit

SIEMENS

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Healthcare

SUPPLEMENTAL

December 18, 2015

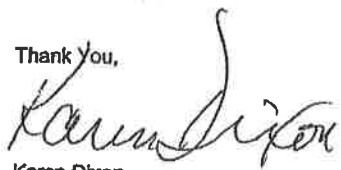
Dear Dr. Busch,

The Year of Manufacture for the MAGNETOM Verio FL# 400-341922 is 2010.

System is delivered with a one (1) year warranty.

At this time there is no sunset date for this system.

Thank You,



Karen Dixon
Product Sales Executive, MR Division

Siemens Medical Solutions USA, Inc.

<Address>
<City>, <ST> <zip>
USA

Tel.: +1-888-826-9702
www.usa.siemens.com/healthcare

List of Clinical Applications to be Provided by Upgraded MRI**MAGNETIC RESONANCE ANGIOGRAPHY (MRA)**

<i>SITE</i>	<i>CPT</i>
Abdomen W/WO	74185
Arm W/WO	73225
Chest W/WO	71555
Head W/O	70544
Head W	70545
Head W/WO	70546
Leg W or WO	73725
Neck W/O	70547
Neck W	70548
Neck W/WO	70549
Pelvis W/O	72198
Spine W/WO	72159

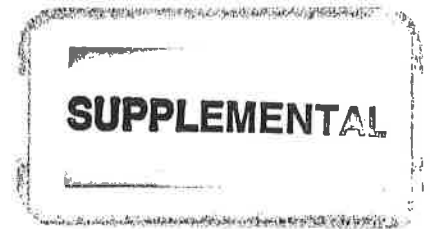
MAGNETIC RESONANCE IMAGING (MRI)**Diagnostic**

3-D Rendering W/O postprocess	76376
3-D Rendering W postprocess	76377
not Requiring Independent Workstation	76376
Requiring Independent Workstation	76377
Abdomen W/O	74181
Abdomen W	74182
Abdomen W/WO	74183
Ankle W/O	73721
Ankle W	73722
Ankle W/WO	73723
Arm W/O	73218
Arm W	73219
Arm W/WO	73220
Joint W/O	73221
Joint W	73222
Joint W/WO	73223
Brain W/O	70551
Brain W	70552
Brain W/WO	70553
One Breast	77058
Both Breasts	77059
Chest W/O	71550
Chest W	71551
Chest W/WO	71552



Elbow W/O	73221
Face W/O	70540
Face W	70542
Face W/WO	70543
Finger Joint W/O	73221
Finger Joint W	73222
Finger Joint W/WO	73223
Foot W/O	73718
Foot W	73719
Foot Joints W/O	73721
Foot Joints W	73722
Foot Joints WO/W	73723
Hand W/O	73218
Hand W	73219
Hand W/WO	73220
Hand Joints W/WO	73223
Joint	
Lower Extremity W/O	73721
Lower Extremity W	73722
Lower Extremity W/WO	73723
Upper Extremity WO	73221
Upper Extremity W	73222
Upper Extremity W/WO	73223
Knee W/O	73721
Knee W	73722
Knee W/WO	73723
Leg W/O	73718
Leg W	73719
Leg W/WO	73720
Joint W/O	73721
Joint W	73722
Joint W/WO	73723
Neck W/O	70540
Neck W	70542
Neck W/WO	70543
Orbit W/O	70540
Orbit W	70542
Orbit W/WO	70543
Pelvis W/O	72195
Pelvis W	72196
Pelvis W/WO	72197
Spine	
Cervical W/O	72141
Cervical W	72142
Cervical W/WO	72156
Lumbar W/O	72148
Lumbar W	72149

Lumbar W/WO	72158
Thoracic W/O	72146
Thoracic W	72147
Thoracic W/WO	72157
Temporomandibular Joint (TMJ)	70336
Toe W/O	73721
Toe W	73722
Toe W/WO	73723
Wrist W/O	73221



SUPPLEMENTAL
#2

Liberty Tower
605 Chestnut Street, Suite 1700
Chattanooga, TN 37450
(423) 756-3000
chamblisslaw.com

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CHAMBLISS

CHAMBLISS, BAHNER & STOPHEL, P.C.

SUPPLEMENTAL #2

December 29, 2015

10:42 am

JAMES L. CATANZARO, JR.
DIRECT DIAL (423) 757-0274
DIRECT FAX (423) 508-1274
jcatanzaro@chamblisslaw.com

ALSO LICENSED IN GEORGIA

December 28, 2015

VIA FEDERAL EXPRESS

Jeff Grimm
Health Examiner
Tennessee Health Services and Development Agency
502 Deaderick Street
Andrew Jackson Building, 9th Floor
Nashville, TN 37243

Re: Diagnostic Radiology Consultants' Supplemental Responses – CN1512-058

Dear Mr. Grimm:

Enclosed please find in triplicate the responses to your supplemental questions dated December 23, 2015, relating to the Certificate of Need Application submitted by Diagnostic Radiology Consultants, P.A. ("DRC").

Respectfully,

James L. Catanzaro, Jr.

Enclosure



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

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SUPPLEMENTAL #2

December 29, 2015

10:42 am

9. Section C, Economic Feasibility Items 1 (Project Costs Chart) and II (Funding)

Item I. - As noted previously, please clarify the cost and service agreement of the MRI unit.

The response with vendor quote documentation identifies a cost of \$1,052,000 for the replacement 3.0 Tesla Siemens MRI unit. What accounts for the remaining balance of the \$1,556,098 total fixed equipment amount shown in Line A.7 of the Project Costs Chart? Please clarify by providing a breakout of the equipment by type & cost included in the total amount.

Response: The breakdown of the total fixed equipment on the Project Costs Chart is as follows:

- Replacement MRI: \$1,052,000.00
- Replacement CT (Somatom Scope Power YMAT): \$254,098.00
- Replacement Mammography (Mammomat Inspiration Prime Edition): \$250,000.00

Total: \$1,556,098.00

10. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Both Charts -

Please provide a detail or breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. Please use the format provided in Exhibit 1 at the end of this letter.

The response is noted. In reviewing the professional fees, it appears the amounts paid by the applicant for imaging interpretation services averaged approximately \$987,000/year from FY 2012 - FY 2014. What accounts for the 27% decrease to an average of approximately \$723,000/year in the Projected Data Chart for this project? Please clarify.

Response: As noted on page 9 of DRC's Supplemental Responses dated December 21, 2015, all DRC radiologists are paid salaries, but such salaries are booked on DRC's internal financials as a separate "professional interpretation" line item rather than as part of "staff salaries." Beginning in August 2015, DRC made an adjustment to its methodology for calculating the professional component of the radiologist salaries in order to bring them in line with current market levels. This accounts for the projected decrease in "professional interpretation fees" for 2016 and 2017.

Other - The applicant notes that the Historical Data Chart contains revenues and expenses for TVIC as a whole. As such, please also identify the utilization of all

December 29, 2015**10:42 am**

imaging services of TVIC, including MRI, CT, ultrasound, etc., in a revised Historical Data Chart and submit labeled as page 22-R(2).

Response: Please see the revised Historical Data Chart, labeled page 22-R(2) and 23-R(2) and attached hereto as Supplemental Attachment C. Economic Feasibility. 4.

December 29, 2015

10:42 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF HamiltonNAME OF FACILITY: Diagnostic Radiology Consultants d/b/a Tennessee
Imaging and Veth Center

I, James Boich, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature] President
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of December 2015,
witness my hand at office in the County of Hamilton, State of Tennessee.

Teresa A. Arthur
NOTARY PUBLIC

My commission expires March 25, 2017.

HF-0043

Revised 7/02





State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the **Chattanooga Times Free Press**, which is a newspaper
(Name of Newspaper)

of general circulation in

Hamilton,
(County)

Tennessee, on or before

December 9, 2015,

(Month / day)

(Year)

for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Diagnostic Radiology Consultants, P.A.

(Name of Applicant)

Professional Private Practice

(Facility Type-Existing)

owned by: **Diagnostic Radiology Consultants, P.A.** with an ownership type of **Corporation**

and to be managed by: **itself** intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]: **the establishment of an outpatient diagnostic center at 1604 Gunbarrel Road, Chattanooga TN 37421 (the "New Location"), and the relocation of its existing magnetic resonance imaging services from DRC's current location at 1949 Gunbarrel Road, Suite 170, Chattanooga TN 37421 to the New Location. No new services will be initiated. The total estimated project cost will be \$5,639,646.02.**

The anticipated date of filing the application is: **December 11, 20 15**

The contact person for this project is **James L. Catanzaro, Jr.**
(Contact Name)

Counsel to Applicant
(Title)

who may be reached at: **Chambliss, Bahner & Stophel, P.C.**
(Company Name)

605 Chestnut Street
(Address)

Chattanooga
(City)

TN
(State)

37450
(Zip Code)

423/757-0274
(Area Code / Phone Number)

12/07/2015
(Date)

jcatanzaro@chamblisslaw.com
(E-mail Address)

The Letter of Intent must be **filed in triplicate** and **received between the first and the tenth day** of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Diagnostic Radiology Consultants, P.A., a professional private practice (“DRC”), owned by Diagnostic Radiology Consultants, P.A., with an ownership type of corporation and to be managed by itself intends to file an application for a Certificate of Need for: the establishment of an outpatient diagnostic center at 1604 Gunbarrel Road, Chattanooga TN 37421 (the “New Location”) and the relocation of its existing magnetic resonance imaging services from DRC’s current location at 1949 Gunbarrel Road, Suite 170, Chattanooga TN 37421 to the New Location. No new services will be initiated. The total estimated project cost is \$5,639,646.02.

The anticipated date of filing the application is December 11, 2015.

The contact person for this project is James L. Catanzaro, Jr., Counsel to Applicant, who may be reached at Chambliss, Bahner & Stophel, P.C., 605 Chestnut Street, Chattanooga, TN 37450 (423)757-0274.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: February 29th, 2016

APPLICANT: Diagnostic Radiology Consultants, P.A.
1604 Gunbarrel Road
Chattanooga, Tennessee 37421

CN1512-058

CONTACT PERSON: James Cantazaro
605 Chestnut Street, Suite 1700
Chattanooga, Tennessee 37421

COST: \$5,639,646.02

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

Diagnostic Radiology Consultants, P.A. (DRC) seeks Certificate of Need (CON) approval for the establishment of an outpatient diagnostic center at 1604 Gunbarrel Road, Chattanooga, Tennessee 37421, and the relocation of existing MRI imaging services from their current location at 1949 Gunbarrel, Suite 170, Chattanooga, to its new location at 1604 Gunbarrel Road. No new services will be initiated. DRC is a physician owned and controlled radiology practice that current provides outpatient diagnostic services.

In 2006 the applicant began operating its Gunbarrel site under an assumed name as Tennessee Imaging and Vein Center (TIVC).

DRC is a Georgia professional corporation qualified to do business in Tennessee, which is owned by the following eight physicians: Brett Austin, MD, (15 shares); James Busch, MD, (15 shares); Grant Huntzinger, MD, (15 shares); Scott Kemmerer, MD, (15 shares); Andrew Kreek, MD, (15 shares); Garth McPherson, MD, (15 shares); James Morrow, MD, (15 shares); and John Nelson, MD, (15 shares).

The applicant is intimately familiar with the establishment and operation of ODCs, as its affiliate – Digital Imaging of North Georgia, LLC (DING), currently operates two licensed ODCs in Chattanooga: Chattanooga Outpatient Center and PET/CT of Chattanooga. DRC believes that this will bring their operations into greater harmony with its affiliated businesses and the current market environment. There will be very little operation change as a result of the new designation other than obtaining a license as an ODC.

The total project cost is \$5,639,646.02 and will be funded through cash reserves as documented by the Chief Financial Officer in Attachment C, Economic Feasibility.2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's designated service area is Hamilton County. The 2016 Hamilton County population is 356,156, increasing to 368,666 in 2020, an increase of 3.5%.

DRC wishes to relocate the current TIVC Services to the new location and designate the facility as an ODC. DRC's existing office at 1949 Gunbarrel Road is a leased unit in a multi-unit medical building with patient care rooms on two floors. The building location is not visible from the road making it difficult for patients to find. The current location is also located in a high traffic area behind a Starbucks location which causes a frustrating traffic condition for patients.

DRC is proposing to relocate to a newly constructed building less than a mile south on Gunbarrel Road that will provide patients with easier access to a state-of-the-art facility. The applicant will be leasing the building from Imaging Land Holdings, LLC. The two story building will include patient reception and waiting rooms, patient care rooms. Private patient treatment rooms included x-ray, two ultrasound rooms, mammography, bone densitometry, nuclear CT, stress testing, EMG, MRI, and CT.

DRC currently leases several spaces within the multi-unit medical building for the TIVC services. The lease on the applicant's current location is expiring in August 2016, and does not provide DRC any right to option to lease additional space on the property

The proposed new location is more visible from Gunbarrel Road, will eliminate confusion for patients who have had trouble finding the location, is accessible by public transportation and has ample parking. The build has been designed with physician input to include features improving patient care, privacy, comfort, and service efficiency that cannot be implemented at the current location due to lease and physical plant restraints. Additionally, all patient care rooms are located on the first floor for ease of accessibility.

Historically, DRC has met or exceeded the CON need standards for MRI scan at the TIVC location and projects 2,989 in year one 3,135 in year two, 3,208 in year three, and 3,304 in year four at the proposed location.

	2012	2013	2014	2016 Projected	2017 Projected	2018	2019
DRC (TIVC)	3074	3165	3133	2989	3115	3208	3304

Health Services and Development Agency Equipment Registry, 2012, 2013, 2014, 8/10/2015.

DRC will continue to offer the same services at the new location to the same service are as the current location.

TENNCARE/MEDICARE ACCESS:

The applicant participates in the Medicare and TennCare programs. DRC contracts with MCO's Amerigroup, Blue Care, United Healthcare Community, and TennCare Select.

The applicant projects ODC year one Medicare gross revenues of \$573,430.37 or 16% of total gross revenues and TennCare gross revenues of \$107,518.19 or 3% of total gross revenues.

The applicant projects MRI year one Medicare gross revenues of \$154,826.20 or 12% of total gross revenues and TennCare gross revenues of \$77,413.10 or 6% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 20 of the application. The total project cost is \$5,639,646.02.

Historical Data Chart: The Historical Data Chart is located in Supplemental 2. The applicant reports total ODC exams of 16,267, 17,151, and 16,417 services in 2012, 2013, and 2014 with net operating revenues of \$713,350, \$672,040, and \$402,242 each year, respectively.

Projected Data Chart: The Projected Data Chart is located in Supplement 1. The applicant projects 16,221 and 16,545 total ODC services in years one and two with net operating revenues of \$582,163 and \$600,085 each year, respectively.

The Projected Data Chart for the MRI services is projected to be 2,989 and 3,115 procedures in years one and two with net operating revenues of \$792,364 and \$838,103 each year, respectively.

The average gross charge for MRI is \$1,087.29, with an average deduction of \$416.49, resulting in an average net charge of \$482.56.

The applicant could find no appropriate alternative to this project because their lease is up in August 2016. Additionally, the current lease does not allow DRC room for growth and the physical layout is located on two separate floors and separate units.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

DRC provided a listing of all health care providers with which they have contracts with on page 26 of the application.

DRC is relocating four blocks from its current location. There will be no negative effects on the health care system or on the utilization rates of providers in the service area.

There will be no staffing change as a result of the relocation and the designation as an ODC. The applicant provided the current staffing complement on page 27 of the application.

DRC does not participate in the training of students.

DRC will seek licensure from the Tennessee Department of Health, Board for Licensing Healthcare Facilities as an ODC. DRC is accredited by the American College of Radiology and has a Radioactive Material License in Nuclear Medicine by the Tennessee Department of Environment and Conservation Division of Radiological Health.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

The three previous year's data and population projects are located below.

	2012	2013	2014	2016 Projected	2017 Projected	2018	2019
DRC (TIVC)	3074	3165	3133	2989	3115	3208	3304

Health Services and Development Agency Equipment Registry, 2012, 2013, 2014, 8/10/2015.

The applicant's designated service area is Hamilton County. The 2016 Hamilton County population is 356,156, increasing to 368,666 in 2020, an increase of 3.5%.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

Hamilton County providers performed 52,299 MRI procedures in 2014, and average of 2,377 per unit. DRC is an established provider and is relocating less than a mile down Gunbarrel Road.

3. Any special needs and circumstances:
 - a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

Diagnostic Radiology Consultants, P.A. (DRC) seeks Certificate of Need (CON) approval for the establishment of an outpatient diagnostic center at 1604 Gunbarrel Road, Chattanooga, Tennessee 37421, and the relocation of existing MRI imaging services from their current location at 1949 Gunbarrel, Suite 170, Chattanooga, to its new location at 1604 Gunbarrel Road. No new services will be initiated. DRC is a physician owned and controlled radiology practice that current provides outpatient diagnostic services.

In 2006 the applicant began operating its Gunbarrel site under an assumed name as Tennessee Imaging and Vein Center (TIVC).

DRC is a Georgia professional corporation qualified to do business in Tennessee, which is owned by the following eight physicians: Brett Austin, MD, (15 shares); James Busch, MD, (15 shares); Grant Huntzinger, MD, (15 shares); Scott Kemmerer, MD, (15 shares); Andrew Kreek, MD, (15 shares); Garth McPherson, MD, (15 shares); James Morrow, MD, (15 shares); and John Nelson, MD, (15 shares).

The applicant is intimately familiar with the establishment and operation of ODCs, as its affiliate –Digital Imaging of North Georgia, LLC (DING) –currently operates two licensed ODCs in Chattanooga: Chattanooga Outpatient Center and PET/CT of Chattanooga. DRC believes that this will bring their operations into greater harmony with its affiliated businesses and the current market environment. There will be very little operation change as a result of the new designation other than obtaining a license as an ODC.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

DRC wishes to relocate the current TIVC Services to the new location and designate the facility as an ODC. DRC's existing office at 1949 Gunbarrel Road is a leased unit in a multi-unit medical building with patient care rooms on two floors. The building location is not visible from the road making it difficult for patient to find. The current location is also located in a high traffic area behind a Starbucks location which causes a frustrating traffic conditions for patients.

DRC currently leases several spaces within the multi-unit medical building for the TIVC services. The lease on the applicant's current location is expiring in August 2016, and does not provide DRC any right to option to lease additional space on the property.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.

1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

Emergencies within the ODC will be managed in conformity within accepted medical practice. The proposed new location is one block from Erlanger East Hospital.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

DRC already has protocols in place to assure that all clinical procedures are medically necessary and do not duplicate other services. DRC's radiologists only perform radiology procedures for patients with a valid referral and prescription, if necessary, for whom their insurance company has preauthorized.